Nkonkobe Local Municipality



Group Annual Financial Statements for the year ended 30 June 2012

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Group Annual Financial Statements

for

Nkonkobe Local Municipality

for the year ended 30 June: 2012

Province: Eastern Cape

AFS rounding: R (i.e. only cents)

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Name of Chief Financial Officer:	C Makedama
Name of Chief Executive Officer:	L Gwintsa
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Treasury:	Matsie Sehlapelo
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General information

Members of the Council

Ntsangani AW Mayor M'amla NP Speaker

 Makeleni MJ
 Member of the Executive Committee

 Matylia SP
 Member of the Executive Committee

 Mgengo ME
 Member of the Executive Committee

 Ngcakaza JN
 Member of the Executive Committee

 Sinyongo LL
 Member of the Executive Committee

Kganedi RA Ngwentle SL Penu SA Ndevu V Nono Daniels CNN Zoki NR Gora NIV Maqaketa SW Papu ZL Sixolo P Matya T Gysman D Dyantyi X Nghona C Kanie-Esau LJ Mamase XV Booysen AA Tyibilika TE Sango - Blackie N Stofile AC Rawana MO Nyangintaka CM Moendu Z Kleyi S Bantam E Noume M Nyenyeku MDM

Council Member Council Member

Council Member

Council Member

Council Member

Council Member

Municipal Manager

Mr K.C Maneli

Dwanya TP

Xelelwa H

Kata MB

Ngaye T

Mbalo NC

Rulashe N

Mhlambiso S

Tyali M

Tyali N Ndlazi N

Zibi V

Maqoma S

Mabandla NL

Matshaya MF

Chief Financial Officer

Mr C Makedama

Chief Executive Officer

L Gwintsa

Grading of Local Authority

Grade B. Low Capacity Municipality

Auditors

Auditor-General

Bankers

First National Bank

General information (continued)

Registered Office:	8 Somerset Street
Physical address:	8 Somerset Street
	Fort Beaufort
	5720
Postal address:	
	PO Box 36
	Fort Beaufort
	5720
Telephone number:	(046) 645 7400
Fax number:	(046) 645 2562
E-mail address:	pmadotyeni@nkonkobe.gov.za

Nkonkobe Local Municipality GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statement and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year ended 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 43, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2012 and were signed on its behalf by:

Mr. K. C Maneli Accounting Officer

30 September 2012

Nkonkobe Local Municipality ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2012

Mayor's Foreword

It gives me great pleasure to present the annual financial statements for the 2011/2012 financial year. The Municipal Finance Management Act provides that a municipality must prepare the annual financial statements of the institution and, within two months after the end of the financial year to which those statements relate, submit them to the Auditor General for auditing. During the last financial year we presented improved financial statements to Council. This year, as we endeavour to make further improvements to our financial statements, as the municipality we have tried our utmost best to adhere to the Generally Recognised Accounting Practices when preparing the finanial statements - to produce reports attuned to specific needs of the Nkonkobe community.

The annual financial statements for the year under review - 2011/2012 - portray a different picture than the last financial year. This is with regards to financial viability and debt management of the municipality. As an institution with a thin revenue base we have devised strategies to enhance our revenue, so that we are able to move away from grant dependency and become a self sufficient municipality.

To this end, we have established a technical unit in order to do most projects in-house, and some of the projects are funded through our own revenue. As a result, I can safely say that the current financial statements are a true reflection of all the institution's financial activities in the year under review. The challenges that the municipality faced before should be a thing of the past and as such, we firmly believe that we can do better to change the situation from qualified to clean audit.

We are especially pleased to have a functional audit committee and we have also beefed-up our internal audit unit. This purports that the municipality is determined to strive for clean audit outcomes. Our audit committee is committed to ensuring that the municipality performs better.

A.W Ntsangani Honourable Mayor 30 September 2012

Nkonkobe Local Municipality GROUP ANNUAL FINANCIAL STATEMENTS STATEMENT OF FINANCIAL POSITION

 			1102-414	
20	at	าก	huma	2012

		as at 30 June 2012			
	Г	Group)	Nkonkobe Local M	lunicipality
	Note	2012	2011	2012	2011
		R*000	R'000	R .	R
ASSETS	_			-	
Current assets	_				
Cash and cash equivalents	1 [5.635.748	4.561.099	-	2.558.542
Trade and other receivables from exchange transactions	2	7.439.105	13.118.391	7.439.105	13.118.391
Other receivables from non-exchange transactions	3	4.062.054	7,478.200	4.062.054	6.634.563
Other receivables from non-exchange transactions	4	590.382	565.355	590.382	565,355
Other receivables from non-exchange transactions	10	1,665,341	1,177,507	1.665.341	1.177.507
Non-current assets					
Property, plant and equipment	5	288.158.686	276.333.926	287.660,781	275.893,294
Intangible assets	6	186,359	121.418	186.359	121.418
Investment property carried at fair value	7	16.386.200	14,893,200	16.386.200	14,893.200
Total assets		324,123,874	318,249,095	317,990,221	314,962,269
LIABILITIES					
Current (jabilities	- 1		1		
Trade and other payables	8	23.017.317	18,990,946	22,227,280	18,951,124
Consumer deposits	9	1,109,130	1.037.039	1,109,130	1.037.039
Bank overdraft	1	310.452		310,452	
Current portion of unspent conditional grants and receipts	11	5,000,111	2,966,870	170,634	1,037,004
Current portion of borrowings	12	-	3,520,171	-	3.520.171
Current portion of finance lease liability	13	157.211		157.211	-
Other current financial liabilities	14	13.052	12,840	13.052	12,840
Non-current liabilities	1				
Non-current finance lease liability	13	201.002	-	201,002	-
Non-current provisions	15	33.487.726	24.343.020	33.487.726	24.343.020
	-	***************************************	50.070.005	F7 676 487	48,901,198
Total liabilities	-	63,296,001	50,870,885	57,676,487	46,901,196
Net assets		260,827,873	267,378,210	260,313,735	266,061,071
NET ASSETS					
Reserves		4,152,100		4,152,100	-
Accumulated surplus		256.675.773	267,378,208	256.161.635	266.061.071
	_	200 007 070	267 279 200	260.313.735	266,061,071
Total net assets	L	260,827,873	267,378,209	∠60,313,735	200,061,071

Nkonkobe Local Municipality GROUP ANNUAL FINANCIAL STATEMENTS STATEMENT OF FINANCIAL PERFORMANCE for the year ending 30 June 2012

	for the ye	ar ending 30 June 2012			
		Group		Nkonkobe Local N	lunicipality
	Note	2012	2011	2012	2011
		R'000	R'000	R	R
Revenue					
Non-exchange Revenue					
Property rates	16	19,069,818	15.632.871	19.069.818	15.632.871
Government grants and subsidies	21	111,909,643	105.204.729	106,218,163	98.633.372
Fines		76.910	432.800	76.910	432.800
Exchange Revenue					
Service charges	17	25.309,430	15,022.783	25.309.430	15.022.783
Rental of facilities and equipment	18	330.689	215.032	330.689	215.032
Interest earned - external investments	19	888,261	1,254,661	870.954	1.081.540
Interest earned - outstanding receivables	20	1,672,997	5.131.802	1.672.997	5.131.802
Licences and permits		2,154,470	2,180,958	2.154,470	2,180,958
Other income	22	1.705.421	4.683.222	1.507.306	4.654.122
Total revenue		163,117,639	149,758,857	157,210,737	142,985,278
Expenses					
Employee related costs	23	54,507,548	47.197.763	51.149.806	43.864,502
Remuneration of councillors	24	10.464.769	9,957,032	10,464,769	9,957,032
Bad debts	2,3	7.153.286	18.866.779	7,153.286	18.866,779
Depreciation and amortisation expense	25	22.859,209	21.376.854	22.755.198	21.313,328
Repairs and maintenance		11.688,518	8,901,698	11,686,611	8.891.821
Finance costs	26	98,158	988,659	98,158	988,659
Bulk purchases	27	17.090,908	18,163,361	17,090,908	18.163.361
Grants and subsidies paid	28	9,674,167	6.754.101	10.640.770	7.691.014
Transfers and Donations		486,747	-	-	-
General expenses	29	39.647.064	28.201.078	36.001.347	25.174.895
Total expenses	L	173,670,375	160,407,326	167,040,854	154,911,391
Loss on sale of assets	30	149,699	125,458	69.319	125,458
Deficit for the year		(10,702,434)	(10,773,927)	(9,899,436)	(12,051,571)

		OROUP A	NKONKODE LOCAI MUNICIPAIITY GROUP ANNUAL FINANCIAL STATEMENTS STATEMENT OF CHANGES IN NET ASSETS as at 30 June 2012	ncipainy STATEMENTS INET ASSETS 2			-
			Group			Nkonkobe	
		Revaluation Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets	Revaluation Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	œ	ď	œ	R	~	R
Balance at 30 June 2010		1	29,875,659	29,875,659	e	29,837,924	29,837,924
Prior period error correction Change in accounting policy	44	1 1	(11,489,206) 259,765,683	1,760		(11,490,965) 259,765,683	259,765,683
Restated balance		1	278,152,136	289,643,101		278,112,641	289,603,607
Surplus / (deficit) for the period		'	(10,773,928)	(10,773,928)		(12,051,571)	(12,051,571)
Restated balance		ı	267,378,208	267,378,208	•	266,061,071	266,061,071
Revaluation of property plant and equipment		4,152,100	a (4,152,100	4,152,100	•	4,152,100
Surplus / (deficit) for the period Balance at 30 June 2012		4,152,100	256,675,773	260,827,873	4,152,100	(9.899,436)	(9.899,436)

GROUP ANNUAL F		ocal Municipality			
		OW STATEMENT			
		30 June 2012			
		Group)	Nkonkobe Local	Municipality
No	ota	2012	2011	2012	2011
		R'000	R*000	R	R
A CHIEF DANG FROM ORCE ATING A CTRATICA					
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts		167,608,023	128,309,182	157,821,410	127.693.144
Sales of goods and services		47,551,991	16,937,736	47.551,991	16,937,736
Grants		115.968,018	100.330,861	106,218,162	99,887,944
Interest received		2,580,708	6.386,463	2.543,950	6.213.341
Other receipts		1,507,306	4,654,122	1,507,306	4,654,122
Payments		(130,790,944)	(107,786,777)	(124.736.322)	(102,451,813)
Employee costs		58,524,492	49,689,773	52,469,870	44,354,809
Suppliers		61.527.524	49,417,330	61,527,524	49,417,330
Interest paid		98,158	988.659	98.158	988.659
Grants & Transfers		10,640,770	7,691,014	10,640,770	7,691,014
et cash flows from operating activities	31	36,817,079	20,522,408	33,085,088	25,241,331
ASH FLOWS FROM INVESTING ACTIVITIES					
ASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of assets		(32,027,325)	(31,613,440)	(31,928,526)	(31.128,922)
Proceeds on disposal of assets		(69,319)	(125,458)	(69,319)	(125,458)
let cash flows from investing activities		(32.096,645)	(31,738,898)	(31.997,846)	(31,254,380)
CASH FLOWS FROM FINANCING ACTIVITIES					
vew borrowings raised / (Repaid)		201.002	44.724.4001	204 002	14 724 400
ncrease / (Decrease) in short term borrowings		(4.229.330)	(1,731,189) 1,037,004	201,002 (4,229,330)	(1,731,189)
ncrease / (Decrease) in short term borrowings					
incess in Antential Ashasia		72,091	95.231	72,091	95.231
let cash flows from financing activities		(3,956,237)	(598,954)	(3,956,237)	(598,954)
let increase / (decrease) in net cash and cash equivalents		764,196	(11,815,446)	(2,868,995)	(6,612,004)
let cash and cash equivalents at beginning of period		4,561,099	16,376,545	2,558,542	9.170.546
let cash and cash equivalents at end of period	32	5,325,296	4,561,099	(310,452)	2,558,542

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act. (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENTY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and guidance issued by National Treasury, has been provided in an annexure and notes to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Changes in accounting estimates is accounted for prospectively.

1.5

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective at the reporting date and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005

GRAP 20 Related Parties - issued June 2011

GRAP 21 Impairment of non-cash generating assets - issued March 2009

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 25 Employee Benefits - issued November 2009

GRAP 26 Impairment of cash generating assets - issued March 2009

GRAP 103 Heritage Assets - issued July 2008

GRAP 104 Financial Instruments - issued October 2009

GRAP 105 Transfer of functions between entities under common control

GRAP 106 Transfer of functions between entities not under common control

GRAP 107 Mergers

Application of all the above GRAP standards will be effective from the date to be announced by the Minister of Finance and no standards have been early edopted. For the standards that have been approved, but an effective date has not been determined by the Minister of Finance at the reporting date, certain elements may have been used to formulate an accounting policy.

The impact of the standards not yet effective on future financial statements is not expected to be significant.

Management has considered all the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. Management applied Directive 5 in determining its reporting framework and accounting policies.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revalutaion less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBEQUENT MEASUREMENT - COST MODEL (EXCLUDING LAND AND BUILDINGS)

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Subsequent expenditure including major spare parts and servicing equipment qualify as property, plant and equipment if the recognition criteria are met.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives in line with National Treasury guidelines:

infrastructure		Other	
Roads and Paving	3 - 50 years	Buildings	30 - 50 years
Pedestrian Malls	00 /020	- Mobile offices	10 years
Electricity		- Specialist vehicles	6 vears
Water		- Other vehicles	5 years
Sewerage		- Office equipment	5 years
Ť		Furniture and fittings	6 years
		Specialised plant and equipment	10 years
Community		Other items of plant and equipment	5 years
Buildings	25 - 50 years	Landfill sites	30 - 55 years
Recreational Facilities	25 - 30 years	Emergency equipment	3 - 10 years
Security	·	Computer equipment	3 years
Halls	25 - 50 years	Intangible assets (Software)	3 years
Libraries	25 - 30 years		-
Parks and gardens	_	•	
Other assets	25 - 30 years		

DEPRECIATION AND IMPAIRMENT (Cont.) 24

Heritage assets

Buildings

Paintings and artifacts

Finance lease assets

Office equipment 5 years Other assets 3 - 6 years

The Municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for certain Machinery and Equipment and Transport assets with significant carrying values. For Machinery and Equipment and Transport (Above R5.000) the residual value and the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance. Minor assets (Below R5,000) are recognised and depreciated annually to R1 and is included in the asset register mainly for completeness and monitoring purposes.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives, as reflected in the table below:

Heritage Sites Useful LifeRange in Years Memorials & Statues Indefinite Life Heritage Sites Indefinite Life Museums Indefinite Life Art Works Indefinite Life

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

2.6 TRANSITIONAL PROVISIONS

The municipality has brought in retrospectively all assets previously not disclosed as per the provisions of directive 4. The previously unrecognised assets were valued and retrospectively recognised in accordance with the provisions of directive 7.

3 INTANGIBLE ASSETS

INITIAL RECOGNITION 3.1

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- · the municipality intends to complete the intangible asset for use or sale;
- · it is technically feasible to complete the intangible asset;
- · the municipality has the resources to complete the project; and
- probable that the municipality will receive future economic benefits or service potential
- · The ability to measure reliably the expenditure during development.

Intangible assets are initially recognised at cost.

3 INTANGIBLE ASSETS (Cont.)

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amoritisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

vears

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in acounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or foss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value) or taken on at a deemed value, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Additions are added at cost and Investment property's carrying value is depreciated annually. Any gain or loss arising from a change in the fair value of the property (every 3 years) is included in surplus or deficit for the period in which it arises.

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are intitally recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and fiabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

5.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-Item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

6 INVESTMENTS IN ASSOCIATES (Cont.)

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

7 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 RECOVERY OF UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is probable. The recovery of unauthorised, irregular, fruitless and wasteful expenditure is treated as other income in the Statement of Financial Performance.

11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

11 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (Cont.)

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned:
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

12 LEASES

12.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

12.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

13 REVENUE

Revenue is only recognised once all of the following criteria have been satisfied:

- a) The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Municipality has an obligation in terms of legislation to collect all revenue and as such, the Municipality does not consider the collectability of the revenue on initial recognition. The Municipality will assess collectability subsequent to initial measurement and should the receivable be impaired, the impairment loss will be recognised as an expense.

13.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on average consumption.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

13.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional and funds are invested until it is utilised.. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

14 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

15 EMPLOYEE BENEFITS

15.1 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits include salaries and wages, short-term compensated absences and bonus plans. The entity recognises a liability and corresponding expense for short-term employee benefits when an employee has rendered services that entitle him/her to the benefits.

15.2 POST EMPLOYMENT BENEFITS

Payments made to defined contribution plans are recognised as an expense on the accrual basis. The municipality operates defined contributions plans. Once the contributions have been paid the municipality has no further payment obligation. The regular contributions constitute periodic costs for the year in which they are due and such are included in the staff costs.

15.3 LEAVE PAY ACCRUAL

The liability is based on the total amount of leave days due to the employees at reporting date and on the total remuneration package of the employees.

15.4 PERFORMANCE BONUSSES

A provision in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees is maintained.

16 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

 tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

17 INVENTORIES

Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the entity for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost gualifies for capitalisation to the cost of another asset.

18 INVESTMENT PROPERTY

Investment property includes property (land or a building or part of a building or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services or the sale of an asset in the ordinary course of operations.

Investment Property is initially recognised when future benefits are probable and the cost or fair value can be determined reliably.

At initial recognition, the entity measures investment property at cost including transaction costs once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

The assumptions for determining the fair value of the Investment property is set out in the relevant Note of the Annual Financial Statements.

Impairments

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance

An Investment Property is derecognised when there is a disposal or no future economic benefits are to be derived and all gains or losses are recognised in the Statement of Financial Performance.

19 EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Municipality will adjust the amounts recognised in the Annual Financial Statements to reflect adjusting events after the reporting date once the event occurred.

The Municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the Annual Financial Statements.

20 VALUE ADDED TAX (VAT)

The Municipality accounts for Value Added Tax on the payments basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position.

21 INVESTMENT IN MUNICIPAL ENTITY

Group Annual Financial Statements

The group Annual Financial Statements include those of the municipality and its controlled entity (subsidiary). The results of the subsidiary is included from the effective date of aquisition.

Consolidated Annual Financial Statements are prepared, and on aquisition, the group recognises the subsidiary's identifyable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less cost to self, from the date the control commences until the control ceases.

Municipal Annual Financial Statements

In the municipality's separate Annual Financial Statements, the investment in the municipal entity are carried at cost, less any accumulated impairment.

The Municipal entity is an entity controlled and wholly owned by Nkonkobe Local Municipality. Control exists as the municipality has the power to govern the financial and operating policies, exercise direct control and the municipality provides a majority of the financial needs of the entity.

GRAP 6 - Consolidated and separate financial statements

The Group Annual Financial Statements is presented in accordance with GRAP 6 - "Consolidated and seperate financial statements". The standard is applied retrospectively for the separate financial statements. The effects at transaction date was determined and the opening accumulated surpluses and deficits adjusted as this is the first year that this standard is initially adopted. In terms of paragraph 19 of Directive 4, no comparative information is required to be disclosed, however, due to the simplicity of the transactions between the municipality and its sole wholly owned entity, the comparative consolidated figures is fully diclosed.

	Group		Nkonkobe Local f	lunicipality	
	2012 R'000	2011 R'000	2012 R'000	2011 R'000	
1 CASH AND CASH EQUIVALENTS	· · · · · · · · · · · · · · · · · · ·				
Cash and cash equivalents consist of the following Cash on hand					
Cash at bank Call deposits	210,986 5.114,210	2,486,939 2,073,874	(320,548) 10,096	2,481.1 6 4 77,378	
vali damalia	5,325,196	4,560,813	(310,452)	2,558,542	
The Municipality has the following bank accounts: -					
Current Account (Primary Bank Account)					
FNB - Fort Beaufort 62026192338	(320.548)	2.481,164	(320,548)	2,481,164	
Cash book balance at beginning of year	2.481.164	2,481,164	2,481,164	2,481,164	
Cash book balance at end of year	(320,548)	2.481,164	(320,548)	2,481,164	
Bank statement balance at beginning of year	8,146,376	3.624,977	8,146,378	3,624,977	
Bank statement balance at end of year	2,207,669	8.146,376	2.207,669	8,146,376	
Current Account (Other Account)					
Standard Bank-Account number 082142076 (Nkonkobe Fresh Produce)					
Cashbook Balance Bank Statement Balance		67,381 67,381		67,381 67,381	
First National Bank -Account number 62111847854 (MIG Funding)					
Cashbook Balance Bank Statement Balance	10,100 10,100	10,001 10,001	10,099.66 10,099.66	10,001 10,001	
First National Bank -Account number 62068499188 (Roxeni Housing Project)	-				
Coshbook Balance Bank Statement Balance	(4)	(4)	(4)	(4)	
	•	*			
Current Account (Primary Bank Account)					
STANDARD BANK - 082 137943 ABSA - 4078575039	531,534	5.775			
Cash book balance at beginning of year	5,775				
Cash book balance at end of year	537,309	5,775			
Bank statement balance at beginning of year	5,775				
Bank statement balance at end of year	531,534	5.775			
Current Account (Other Account)					
Standard Bank - 287993086					
Standard Bank - 082 144001 ABSA - WETLANDS 4076575291	543,456 (5	219.609.64			
ABSA- NEDA 9250166073 ABSA - WETLANDS 9250166528	509.992 32 3.007.153.88	1.402.713.95 10.489.37			
ABSA- ILITHA- 9253191122 ABSA- ILITHA- 9250166764	1.043.512.43	361,081,00 2,606 45			
ABSA - 4076643218	-	-4.61			
Cash book balance at beginning of year	1,996,495.80	7,185,882.00			
Cash book balance at end of year	5,104,114.78	1,996,495.80			
Bank statement balance at beginning of year	1,996,495.80	•			
Bank statement balance at end of year	5,104,11478	1,996,495.80			
Savings Account					
Cash on hand	99.20	286.34			
Total cash and cash equivalents	5.635,747.78	2.002.557 12			
Total bank overdraft					
Cash book balance at beginning of year	2,073.874	7,263,260	77.378	77.378	
Cash book balance at end of year	5,114,210	2,073.874	10,096	77.378	
Total cash and cash equivalents	5.635.748	4,561,099		2,558,542	
				2,300,342	
Totał bank overdraft	(310,452)	·-·	(310,452)		

No cash and bank balances have been pledged as security and no restrictions exist on the use of the cash appart from the accounts maintained for conditional grants.

the accounts manualized for conditional graits

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables

	Provision for	
Gress Balances	Doubtful Debts	Net Balance
R'000	R'080	R'000

as at 30 June 2012 Service debtors

Electricity
Refuse
Provision for Ocpobiful Debts
Total

Other receivables
Sundry Debtors
Other Debtors
Bank suspense accounts
Other receivables

as at 30 June 2011 Service deblors

Total Trade and other receivables

Electricity Refuse Provision for Doubtful Debts Total

	Group		Nkonkobe Local	Municipali
	2012	2011	2012	201
1	R*000	R*000	R*000	R'001
	2.932.679		2.932,679	
	7.363.941	(0.007.008)	7,363,941	
	10,296,620	(8,007,926)	(8.007.926) 2,288,694	
	2,076,616	-	2,076,616	
	2.997,215		2,997,215	
	76,580	-	76,580	
_	5,150,411	·	5,150,411	
	15,447,031	(8,007,926)	7,439,105	
	7,485,119		7,485,119	
	3,603,915	-	3,603,915	
	-	(10.425,923)	(10,425,923)	
	11,089,035	(10,425,923)	663,112	

Gre	up	Nkonkobe Loc	al Municipality
2012	2011	2012	2011
R'000	R'000	R'000	R'000

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Cont.)

Other receivables Sundry Deblors Other Deblors Bank suspense accounts Other receivables	1,590,010 8,399,265 2,466,004 12,455,279		1,590,010 8,399,265 2,466,004 12,455,279
Total Trade and other receivables	23,544,314	(10,425,923)	13,118,391
Refuse: Ageing Current (0 – 30 days) 31 - 60 Days 61 - 90 Days Greater than 90 days Total	=	444,587 396,189 5,962,871 560,294 7,363,941	414.165 351.267 2.356.509 481,974 3,603,915
Electricity: AgeIng Current (0 – 30 days) 31 - 60 Days 61 - 90 Days Greater than 90 days Total	=	486,248 267,649 946,023 1,252,761 2,932,679	440,471 6,348,502 6,915,049 827,116 14,531,139

Summary of Debtors by Customer Classification

Summary of Debtors by Customer Classification	Consumers R'000	Industrial / Commercial R'000	National and Provincial Government R'066
as at 30 June 2012	1 1000	K 000	K 000
as at 50 June 2012 Current (0 – 30 days)	1.073.239	1,375,559	416,427.57
31 · 60 Days	1.073.239	597,420	211,431.55
61 - 90 Days	823,536	405.612	193.693.66
Greater than 90 days	14.022.873	4,593,877	1,502,507.47
Sub-total	16,993,681	6,972,467	2,324,060,25
Less: Provision for doubtful detts	(14.763.855)	(6,057,575)	2(02 (1000)20
Total debtors by customer classification	2,229,826	914,892	2,324,060
as at 30 June 2011 Current (0 – 30 days) 31 - 60 Days 61 - 90 Days Greater than 90 days Sub-total Less. Provision for doubtful debts Total debtors by customer classification	342,802 2,687,338 3,718,905 525,088 7,274,132 (4,181,931) 3,002,201	183,009 1,434,671 1,985,387 280,325 3,883,393 (2,232,580) 1,650,813	326.824 2.577,761 3.567.266 503.677 6.977.529 (4.011.412) 2.966,117
Reconciliation of the doubtful debt provision			
Salance at beginning of the year	10,425,923	14,206,769	
Contributions to provision	2,751,155	10,425,923	
Doubtful debts written off against provision	(5,198,635)	(14.206.769)	
Balance at end of year	7,978,443	10,425,923	

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. An interest rate of 14% is charged on outstanding balances overdue, thus the carrying value of the receivable is held at amortised cost (Fair Value)

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R 18 616 750 (2010 R 18 866 779) were impaired and provided for.

The ageing of these receivables is as follows. Over 4 months

No debtors have been pledged as security

21,542	.099	10.425.923

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors	398.815	393,229
Rates	16,476,743	14.682,190
Less: Provison for bad debts	(12,813,504)	(8.440.856)
Nett Rates	3,663,239	6,241.334
Total Other Debtors	4,062,054	6,634,563
Rates: Ageing		
Current (0 = 30 days)	1,230,737	477,915
31 - 60 Days	666,812	439.092
61 - 90 Days	13,796,885	13.206.177
Greater than 90 days	781.216	559,005
Total	16,475,650	14,682,190

Group		Nkonkobe Loc	al Municipality
2012 R'000	2011 R'000	2012 R'000	2011 R'000
8.440.856	98,985,187		
4,402,131	8.440.856		
	(98.985,187)		
	-		
12,842,987	8,440,856		

590,382	565,355	590,382	565,355
500 382	565 355	590.382	565.355

Balance at beginning of the year Contributions to provision Doubtfuf debts written off against provision Reversal of provision Balance at end of year

4 INVENTORIES

Closing balance of inventories: Consumable stores

No inventory has been pledged as security

S DECOREDTY BLANT AND ECHIPMENT

Selection Sele	2	PROPERTY, PLANT AND EQUIPMENT									
as at 1 July 2013 219.966 298 28 26.0.876 9.385,514 4.60,000 1,102.277 5.812,024 6.899.708 498.491 276.785,178 Cost Revaluation Accumulation and emportment lutures (27 Poles 924) (27 10 505) 9.600 410 4.603.000 3.114.580 9.364.581 8754.320 1395.314 (20.0.2018) Acquisitions and Revaluations 1 914.335 15.004.057 189.200 1150.358 469.600 4.810.746 303.277 28.145,581 Captal index Construction 3554.607 30.09.916 1.06.757 1.118.4.511 (38.1.251) (1.109.71) (85.7.16) (7.0.6.6.6.6.6.6.6.6.6.6.6.6.6.6.6.6.6.6.	5.1	Reconciliation of Carrying Value	Intrustructure	Buldings		t,and		Motor vehicles			Total
CostRovalustion 257 089 924 29210 959 9,000 410 4603 000 314 550 9366 351 8754 329 1395 314 723 283 816			R'000	R*000	R*000	R'000	R'000	R*080	R'000	R'000	R*000
Accumulatine deutecation and emplanment lysives (37 102,628) (840,719) 1236,9031 12,012,2521 13,531,3371 11,854,6181 (807,183) 14,007,0030 (807,183) 14,00											
Acquiniforn and Revaluations 1914;335 15 004 957 189 200 1 69 356 459 600 4 810 746 303 277 24 145;581 2024 plantage Censtruction 3554;597 308,7916 76,111 118,4511 138 1501 1 109 2171 (852 745) (276 855) 122 769 1171 (776 855) 122 769 1171 (776 855) 122 769 1171 (777 89) 152,148 124,821 225,000 (777 859) (777		CostRevaluation	257 068 924	29,210 505	9 600 416	-1 863 800	3 114 580	9 366 36 1	8 754 326	1 305 (314	723 283 816
Capital unday Centralistics		Accumulated districtation and expannent losses	(37 102.626)	(949.719)	1236 9031		12 012 2521	(3.504.337)	/1 854 F181	(807.183)	(46 49 / 038)
Deprior above 19 309 0001 (675 761) 118 451) 138 1 2501 (1109 213) (852 745) (208 505) 122 766 171 Conymity value of deposits		Acquisitions, and Revaluations		15 004.057		489 200	1 158 358	469 608	4 816 746	303 277	
Carrying value of deposes 17,789 152,148 124,821 239,000		Capital under Construction	1554.597	3 082 916	3,014 536						
Со-ы/Recolabation 9 451 169 272 180 148 358 681 Ассилифате образователи поряжности (окражности поряжности (окражности поряжности (окражности (Depresation	(19.359.900)	(G75 7G1)	1118 4511		(381 250)	(1.109.213)	(852 [40)	(208 595)	122 766 117)
Со-ы/Recolabation 9 451 169 272 180 148 358 681 Ассилифате образователи поряжности (окражности поряжности (окражности поряжности (окражности (
Accumulated depreciation and impariment loss of		Carrying value of disposals				4	(17,769)	*	152,148	124.621	259.000
Imparrival IssuReversal claring armoni loss Тranslates Other movements вз stat 30 June 2012 206,075,325 45,672,089 12,859,598 5,352,200 1,897,004 5,182,418 10,711,601 408,491 28,155,688 Сев/Repailusten 262,537,851 37,297,559 13,214,952 5,352,300 1,263,477 9,825,909 13,401,801 1,428,742 357,322,661		Cost/Revaluation			-		9 461		169 272	180 148	358 681
Imparament his NR eversal of ungramment lips in Translaters Chear movements vis. 200,075,125 45,672,089 12,659,598 5,352,200 1,697,004 5,162,416 10,711,661 400,491 260,154,665 600 600 600 600 600 600 600 600 600		Accumulated depreciation and implimitant losses					127 2301		(17.124)	(55 527)	(99.880)
				-							
Other movements/1 as at 30 June 2012 206,075,325 45,672,089 12,659,598 5,352,200 1,697,004 5,162,416 10,711,661 406,491 206,154,6656 206,537,8651 47,207,549 13,214,5452 5,352,200 1,203,477 9,025,699 13,013,03 1,429,742 357,322,641		Impairment loss/Revorsal of impairment loss							4		
206.075.325 45.672.089 12.659.698 5.352.290 1.897.004 5.162.416 10.711.661 408.491 286.158.686 Cost/Resplacemen 265.537.851 37.297.559 13.214.932 5.352.200 4.263.477 9.625.909 13.01.801 1.428.742 357.322.661		Transfers	-								
Cost/Revaluation 262.537.851 47.297.569 13.214.952 5.352.200 4.263.477 9.825.969 13.401.801 1.428.742 357.322.561		Other moveniens:			,						*
Cost/Revaluation 262.537.851 47.297.569 13.214.952 5.352.200 4.263.477 9.825.969 13.401.801 1.428.742 357.322.561											
		as at 30 June 2012		45,672,089	12.859.698	5.352,200					
Accumulated depreciation and implement losses (56.462,526) (1625.480) (355.354) - (2.386.472) 14.643,5501 (2.690,240) 13.070,257) 169,163,8751		Cost/Revaluation	262.537.851	47,297,569	13.214.952	5 352,200	4 263 477	9.625 969	13 401 801	1,428 742	
		Accumulated depreciation and impairment tesses	(56.462.526)	(1625.480)	(355.354)		(2.366.472)	14 643 5501	(2.690 240)	(1,020 252)	(69 163 875)

	1		Solid Waste	Land	Furniture and	Motor vehicles	Plant and	Computer	Total
5.2 Reconciliation of Carrying Value	Infrestructure	Buildings	Disposal		fittings		equipment	Equipment	1
	R'000	R'000	R'000	R'000	K.000	R*000	R:000	R'000	R*000
as at 1 July 2010	212,900.514	25,420,688	1,438,638	4.863,000	690.624	4.595.535	5.740.379	218,935	251,868,313
Cost/Revaluation	231,244 370	21.932,000	1 557.089	4.863.000.00	2.276,958	7,417 022	7 075,329	909,166	277 274 954
Accumulated depreciation and impairment losses	(18 343.857)	(\$11.312)	(118.451)		(1.586 333)	(2.825.486)	(1.334.950)	(690 252)	(25 400,641)
	-								
Acquisitions and Revaluations	16,303,781	2,867,800.95			890.668	1,962 497	1 251 648	464.940	24 431,333
Capital under Construction	9.073.025	4,410,794.23	8.043.327						22 427.147
Doprocision	į 18 758.7G9)	-438.407.66	1118 4511		(436.015)	1723 809)	(738,015)	1147 2221	(21 361 980)
	-								
Carrying value of disposals					32,048	2,109	54,903	38.222	126,382
Cost/Revaluation					43,044	13.158	272,651	68.513	397.365
Accumulated depreciation and mipairment losses					(10905)	(11 048)	(218 G49)	(30.291)	1270 9831
		-							
Impairment lossifieversal of impairment loss	*	*							
Transfers	-	-	-		-	-	-	*	
*Other movements	-								
as at 30 June 2011	219,966,298	28,260,875,89	9,363,514	4,863,000	1,192,327	5.832.024	6,899.708	498,431	276.786.178
Cost/Revaluation	267 068,924	29,210 595	9,600,416	4 863,000	3,114,580	9.366,361	8,754 326	1,305.614	323.263.616
Accumulated depreciation and impairment losses	(37,102,620)	(949.710)	(236 903)	-	(2,012,252)	(3 534 337)	41 854 618j	[897.183]	146 497,038)

Effect of change in accounting policy
Assah: Stall wire previously next valued and recognised due to Descrive 4 seemplion ower recognised as a result of GRAP 17 au/plion
Previously only monoble basels were effectived however they was not depictured
V/48 the adoption of GRAP 17 all assahs immirrerbib and moubby were valued and depreciated

Effect:

	2010/2011	20 1 1/20 12
Statement of finactifiposition		
Increase in PPE (Carrying Amount)	230 278 676	270 411,464
Increase in Provision for landfill sites	8 041 327	3.450.673
Statement of finacul performance		
Increase in dispressation	21 313 328	23 281 275
Increase or loss on askels sold	125,458	126 382
Not effect on accumulated surplus	259 760 789	

·	Grou		Nkonkobe Local Municipality			
	2012	2011	2012	2011		
6 INTANGIBLE ASSETS	R'000	R'000	R'000	R'900		
6.1 Reconcillation of carrying value	Computer Software R	Total R	Computer Software R	Total R		
		424 448	121,418	121,418		
as at t July 2011 Cost	121,418	121,418 137,778	137,778	137,778		
Accumulated amortisation and impairment losses	(16,360)	(16,360)	(16,360)	(16,360)		
Acquistions Amortisation	158,397 (93,456)	158,397 (93,456)	158,397 (93,4 5 6)	158,397 (93,456)		
		-10.070	400.000	400 250		
as at 30 June 2012 Cost	186,359 298,175	186,359 296,175	186,359 296,175	186,359 296,175		
Accumulated amortisation and impairment losses	(109.817)	(109.817)	(109,817)	(109,817)		
6.2 Reconciliation of carrying value	Computer Software	Total R	Computer Software R	Total R		
as at 1 July 2010	6,617	6,617	6,617	6,617		
Cost	9.026	9,026	9,026	9.026		
Accumulated amortisation and impairment losses	(2.409)	(2,409)	(2.409)	(2.409)		
Acquistions Amortisation	128 752 (13,951)	128,752 (13,951)	128,752 (13,951)	128,752 (13,951)		
	404.40-	484 448	121,418	121,418		
as at 30 June 2011 Cost	121,418 137,778	121,418 137,778	121,416	137,778		
Accumulated amortisation and impairment losses	(16,380)	(16,380)	(16,360)	(16,380)		
7 INVESTMENT PROPERTY CARRIED AT FAIR VALUE						
			Invesiment	T . 1		
7.1 Reconciliation of fair value	Investment property R	Total R	property R	Total R		
as at 1 July 2011	14,893,200	14,893,200	14,893,200	14,893,200		
Acquistions Fair value adjustment	1,493,000	1 493,000	1 493,000	1.493,000		
Fax value of dispossis		_				
Impairment loss/Reversal of impairment loss		-		-		
Transfers Other movements			:			
				10.000.000		
as at 30 June 2012	16,386,200	16,386,200	18,386,200	16,386,200		
7 INVESTMENT PROPERTY CARRIED AT FAIR VALUE (Cont.)						
7.2 Reconciliation of fair value	Investment property	Total	investment property	Total		
THE THE WORLD WITE BY THE PROPERTY OF THE PROP	R R	R	R	2		
as at 1 July 2010	14,893,200	14,893,200	14,893,200	14,893,200		
Acquestions Fair value adjustment	-			•		
Fair value of disposals Impairment loss/Reversal of impairment loss	:	-	1 :			
Impairment lossificeversal of impairment loss Transfers		-		-		
Other movements		-				
as at 30 June 2011	14,893,200	14,893,200	14,893,200	14,893,200		
7.4 Details of property			Į.			
Due to the extent and sheer number of the properties it is not practical to disclosed details on every property in the financial statements. Full details on each property is available from the municipal offices on request.						
7.5 Details of valuation for Infrastructure and Proporties						

101 110 year airded 30 3010 20	114			
·	Gro	up	Nkonkobe L	ocal Municipality
	2012	2011	2012	2011
The effective date of the revaluations was 1 July 2009 and 30 June 2012 in accordance with Directive 4. Revaluations, were performed by an independent valuer. Mrs. P.J. Lindstrom who not connected to the entity and have recent experience in location and category of the investment property being valued.				
The valuation was based on comparative market approach depreciated replacement value and the Direct Comparison filethod as and where appropriate and all assumptions are based on prevailing market conditions.				

Nkorkobe Local Municipality hotes to the granum ananum state menta for the year ender 10 June 2012

for the year en	de d 10 Juno 2012			
H obp	2017	2011	Nkonkobe Lecal I 2012	Mumic ipality 2011
THOM	R'000	R:808	Rrode	R'009
& trade and other payables from exchange transactions				
filase treations. Rayments retaile air advance	1 549 444 3 476 443	4 666 9"4 3 753 211	13 349 444 3 144 249	3 955 374
Stational activation	3 98 4 59 6 1 2 4 5 6 7 6	3 420 163	\$ 445 645 1 005 584	3 295 375 939 925
Dimer creators Total predictors	27.917.317	2 296 328 18,890,946	1 0 23 444 22.227,280	2 295 325 18,951,124
Premail value strikate and small calcapter approved area thing tony wy area vinti				
9 CONSUMER DEPOSITS				
6 High Original Control Contro	1 129 130	1 037 039	1 106 138	1 037 039
Yotal consumer deposits	1,189,130	1,037,039	1,109,130	1,037.039
To guarantes are not in heur of Electricity Depoint				
10 VAT RECEIVABLE				
, ~ T /oran abie	1 865 341	1 177 507	1.005.341	1 177 507
VAT is payable on the respect tracks in AT is paid burier's SARS only three blyment in	1,665,341	1,177,507	1,665,341	1,177.507
received nom denrois				
II UNSPERT CONDITIONAL GRANTS AND RECEIPTS				
15.1 Umsport Conditional Grants from other apheres of Government				
Chancepal Intrastructure Grant (U)GF Grant Grants	5 000 111	1 965 570	170 534	1 017 634
Total Unapent Conditional Grants and Receipts	5.000.111	2,968.870	170,634	1,037,004
t 2 Non-current uns pentic anditional grants and receipts				
Current portion of anspent conditional grants and to capts	5,000,111	2,066,870	\$70,634	1,037,004
Retains note Σ to recordate on a grants and recests. These amounts are invested in any detailed investment unit was at				
• • • • • • • • • • • • • • • • • • • •				
12 BORROWINGS				
Cavatorners Bank to \$50m 21nca		3 520 171 3,528,171		3.526,171 3.526,171
Less Current portion translated to quire Milhabites		O 520 1711		0.100179
Total Non-Current bordowings				
Rater 15 - opportur - A 12 million detail on bourt mings				
13 FRANCE LEASE LIABILITY			Present value	
2012	Mahampula Sease payments	Future finance charges	of minimum loase payments	
Amounts payable under finance leases	R	R	R	
Cyclium (in pipe) years Cyclium (in pipe) years	181873 212 185	34 462 11 185	147.217	
Loss, Amount due for schleisenn somin 10 Months, quirier rochion.	394,059	35.846	358.213 157.211 ₁	
Lots Amburt due for sureeleen within 10 months, ourser sonon	394,059	35.846		
Ects Amount que tri surrespert ximin 1, hacens, current schipi. The minor clash, Masses speak caump se, ett ihm Teomotopy, Anterfores, iñs, y to The visionium etta? I, ean commoning September (11) implicatives aux vision to wisionium etta? I, ean commoning September (11) implicatives aux vision to wisionium etta? I ean esta data index reportinum ethio ni 1,110 per vision. No assignment has extensionium and on topic reportinum.	394,059	35.846	157 2111	
The municipal, Majos strow caung polices from Technology, Anterdavis (²), to The dasperson story years (commenced segment) (11) inspectives as walked to power, offst, The dasperson story as	394,059	35.846	157 211; 201,002	
The municipal values cannot cause an experience than Terrentopy, Antectorist at 1, 15. The velocity and county of the monopology and provided the county of the velocity of th	M expression	Future finance	157 211; 20 1.002	
The municipal, Massis strout taumy devices from Technology, Antestanies (E.), (10) The dasserum start i years commencing stemmed (EE) measurements as whater to power of 05%. The dasser has to been stored power and of 15% for an extension to 05% for developments as the original power of 15% for the more the authority of 15% for more the authority of 15% for the more than a standard power of 15% for the 15% for the more than a standard power of 15% for the more than a standard power of 15% for the more than a standard power of 15%			157 211; 201,082	
The mumicany, Masses tanger caumy doubles from Technolog, Attestables (f), to fine daspersers double, participations from the daspersers of the daspersers of the first commenced from the daspersers of the first commenced from the daspersers of the first commenced from the daspersers of the dasperser	Manamoun Toosoppynanis	Future finance charges	157 211 201,082 Present value of minimum	
The municipally, Massis Japour Issuing devices from Technology, Activities of Egy, the Time Hassington state is years commencing September 2117 investmines also walked to present or 10%. The select as a time speciment growth of 15 150 per vision. No attainguement have determined also No topic report year. 13 FINANCE LEASE CLASSILITY (Cont.) 2014 Amounts payable under finance traces Vision Ceta (45)	Manamoun Toosoppynanis	Future finance charges	157 211 201,082 Present value of minimum	
The mumicany, Masses tanger caumy doubles from Technolog, Attestables (f), to fine daspersers double, participations from the daspersers of the daspersers of the first commenced from the daspersers of the first commenced from the daspersers of the first commenced from the daspersers of the dasperser	Manamoun Toosoppynanis	Future finance charges	157 211 201,082 Present value of minimum	
The municipal, Malas carbon source access that Terrorogy, Anterparate Ty, 10. The elastication of six 1 years represented Symmetry 111 metaborates are walked to create - 00%. The elasticipal interpretation carbon 6. 15. 155 per watern to assaugements have been entered also on tom representative or 6. 15. 155 per watern to assaugements have been entered also on tom represent 13. PENANCE LEASE LIABBLITY (Cont.) 2011 Amounts, payable under finance leases Without has before a lease. Less Amount que the settlement with 12 months current pongers.	Manamoun Toosoppynanis	Future finance charges	157 211 201,082 Present value of minimum	
The municipal, Nazarianau saury asversitims Terandray, Antestavistic 12, 103. The vasariana say 1, 201 commenced Seminapor 13.1 Interest as a commenced Seminapor 13.1 Interes	Manamoun Toosoppynanis	Future finance charges	157 211 201,082 Present value of minimum	
The municipal, Nasion Januar county devices from Technology, Anterlands of the control of the dasseries and solve and completely dependent of the control of	Manaman losse perments R	Future finance charges R	157.231 201.082 Praterial value of mitrostori (aste payments R	
The municipal, Nazarianau saury asversitims Terandray, Antestavistic 12, 103. The vasariana say 1, 201 commenced Seminapor 13.1 Interest as a commenced Seminapor 13.1 Interes	Manamoun Toosoppynanis	Future finance charges	157 211 201,082 Present value of minimum	17.844
The municipal, Nasas salaw issued as regional formation, Artestania (f), (10) The dasserse is so it, year commenced presence (11) insections as water to care in other the above as a more regional region of it of the water to care in other the above as a more region are in it of the water to care in other than a certain are a more region as 13 FINANCE LEASE LIABRATY (Cont.) 2011 Amounts, payable under finance leases Within Con (as) Typin tagle for year Less Amount and the settlement which it more in current pomper 14 OTHER FINANCIAL LIABRATIES Other current smancial LIABRATIES Other current smancial LIABRATIES	Manaman losse perments R	Future finance charges R	157.231 201.082 Praterial value of mitrostori (aste payments R	12.44
The municipan, Nasas speak issuing as vest trail Technolog, Anterlands Affil, (19) The dasserminates is found to commence of the second of the	Manufación Nedes physiología Para de la companya (nedes physiología) 12,452	Future Snance charges R	Present value of minimum (asses payments R	
The municipals, Major John Saury and Less the Technique Angelines (T), The allianness of the his common segments (LT) interestive as a what to owner of the first segments (LT) interestive as a what to owner of the first segments as a linear representative and that the windows owner is the first segment. The major representative are or 6, 15, 150 segments. No altangeness have been entired and x 15mm representative. 13. FINANCE LEASE LIABILITY (Cont.) 2031 Anisottic payable under finance leases Within Cont. Segment finance leases Within Cont. Segment finance leases The OTHER FINANCIAL LIABILITIES 14. OTHER FINANCIAL LIABILITIES Other curriest instructives BOYTE, Chambert PROVISICHS	Manufacture Total payments Part Part	Future finance charges R	157.231 201.082 Present value of minimum tasee payments R	14 253 000
The municipals Mades about 23, mg service from Econology, Advertions, 27, 10. The class running of the service (company) Economics (12. metastration) as visited to compa - 00%, The disclemant (12. metastration) as visited to compa - 00%, The disclemant in our green (2. % % 6	Manamourn Touce payments R 12,452 12,452 2,77,706 12,420,421	Future finance charges R	157.231 201.082 Present value of minimum (asse payments R 	14 253 066 2 946 591 6 040 321
The municipals, Major John Saury and Less the Technique Angelines (T), The allianness of the his common segments (LT) interestive as a what to owner of the first segments (LT) interestive as a what to owner of the first segments as a linear representative and that the windows owner is the first segment. The major representative are or 6, 15, 150 segments. No altangeness have been entired and x 15mm representative. 13. FINANCE LEASE LIABILITY (Cont.) 2031 Anisottic payable under finance leases Within Cont. Segment finance leases Within Cont. Segment finance leases The OTHER FINANCIAL LIABILITIES 14. OTHER FINANCIAL LIABILITIES Other curriest instructives BOYTE, Chambert PROVISICHS	Manufacture Total payments Part Part	Future finance charges R	157.231 201.082 Present value of minimum tasee payments R	14 253 066 2 946 591 6 040 321
The municipals is associated as any process that Technology Antestons (E.), 10. The state with a for 3 years (semiglosing semiglosing) that measurement as what to come in office the date has been represented that measurement as what to come in office the date has been represented as to the formation of the first parameters as a deep entered and or topy represented 3. Finance Leade Liability (Cont.) 2081 Amounts payable under finance leases Within Control (1994) Less Amount deep has lettered within 12 recents current pomper Le OTHER FINANCIAL LIABILITIES 1. OTHER CURRENT PROVISIONS 5. NORLD LIRRENT PROVISIONS 6. OTHER CURRENT PROVISIONS 6. OTHER CURRENT PROVISIONS 6. OTHER CURRENT PROVISIONS 6. OTHER CURRENT PROVISIONS 7. Provision in Special Cubbry 6. Provision for Special Cubbry 7. Provision for S	Manamourn Touce payments R 12,452 12,452 2,77,706 12,420,421	Future finance charges R	157.231 201.082 Present value of minimum (asse payments R 	12,845 *2 243 000 2 445 457 2 4,343,636
The municipals Mades about 23, mg service from Econology, Advertions, 27, 10. The class with 4 to 3 years (completely between 213 metal state as violating completely from 15 to 4 to	Manamourn Touce payments R 12,452 12,452 2,77,706 12,420,421	Future finance charges R	157.231 201.082 Present value of minimum (asse payments R 	6 040 35, 5 040 46, 7 043 004
The municipal, Massis various issuing devices from Technology, Anterlands of Full (1) The data with size is a segmentary segment (1) in massis was a water of the 100 feet. The data was a large opening of the 100 feet of the size of the water of the 100 feet of the size	Manamourn Touce payments R 12,452 12,452 2,77,706 12,420,421	Future finance charges R	157.231 201.082 Present value of minimum (asse payments R 	6 040 35, 5 040 46, 7 043 004
The municipal, leases around county decides from Technology, Actes by the lease with a just 1, each common planty (spenney 211) in water times as water to present only the lease and a lease system of the ST AC per within the attanguests have determined and to the property of the ST AC per within the attanguests have determined and to the property of the ST AC per within the attanguests have determined and to the property of the ST AC per within the attanguests have determined and to the attanguests have determined and the ST AC per within the attanguest and attanguests and attanguests of the state of the stat	Manamourn Touce payments R 12,452 12,452 2,77,706 12,420,421	Future finance charges R	157.231 201.082 Present value of minimum (asse payments R 	14 253 00 2 949 55 6 040 32
The municipals is assessment as in growing as less than Techning, Antestania, 17., 18. It has assessment as 1. years opening on presenting 11.3 I messationes are visited to owner. I office the date has a linear reportance are visited to owner. I office the date has a linear reportance are visited to owner. I office the date has a linear reportance are visited to owner. I owner should be determined and other finance leases. When does year. Less Amount due this settlement which if morths contentioners. 14. OTHER FINANCIAL LIABILITIES. CONER CURRENT PROVISIONS 15. NOTICE URRENT PROVISIONS 16. POWER CURRENT PROVISIONS 17. POWER CONTENT PROVISIONS 18. POWER CURRENT PROVISIONS 18. POWER CURRENT PROVISIONS 19. PO	Manamourn Touce payments R 12,452 12,452 2,77,706 12,420,421	Future finance charges R	157.231 201.082 Present value of minimum (asse payments R 	14 253 00 2 949 55 6 040 32
The municipation is above about 12 and 12 monthly and retaining and retaining to the desirement of the part optimishing retaining 113 mental state and while the committee of 124 mental state and while the committee of 124 mental state and a bines reported the committee of 13 mental state and while the committee of 13 mental state and a bines reported and on 13 mental state and a state and a bines reported and on 15 mental state and a	Manamourn Touce payments R 12,452 12,452 2,77,706 12,420,421	Future finance charges R	157.231 201,092 Present value of minimum tasse payments R 13,052 2 0 575 asz 2 277.265 10 229.273	14 253 00 2 949 55 6 040 32
The municipies of the second source of the second s	Manamourn Touce payments R 12,452 12,452 2,77,706 12,420,421	Future finance charges R	157.231 201.082 Present value of minimum tases payments If 13.052 2.057.322 2.057.325 33.637.736	14 253 066 2 946 591 6 040 321

Nkonkobe Local Municipality NOTES TO THE GROUP ANNUAL FINANCIAL STATE MENTS (or Parkey Lorded 30 Mars 2012

NOTES TO THE	the year ended					
	100, 11000			1010	hironkoho Loca	Altonie in stille
	Note		2012 R'600	2011 R'00é	2012 R'000	2011 R'C00
Post-retrement mersuly		L	K 000	K 009	[1600	X C00
					PA (90)-2 Ulbmate	
Excettedrarizations of the killing o					63 years	
Cicetrativerrementate i Fernaus					63 years	
unds an energial mender van differense						
					Male 3 years older	
					than female	
I wit ward derse days (emmayses)					100%	
Continuetar cercerage is don't					100%	
Scassinity Analysis - changes in healthcare cost						
Post Ratirement Healthcare Lizability Cankel Assumptions				Change	89-Sutvice 16,784	Consequation 3.79
Heart Cere Infaton				17	29.532	4,12 3,49
Post Retrement mortally				-fly	17.355	3.96
As 6 raige represent age Vivindramal Fare				-ty		3.79
NON-CURRENT PROVISIONS (Conc.)						
Provision for long-service awards						
The tong-service award is begothe other every 5 years of corresponsibilities. The promiser tong-service based on his service take rumburer	is an estimate of					
Key assumptions used						
The rodowing assumptions here used on the valuation on 30 June 2041 (2						
Discount rate					6.19%	
Seneral Salar, infloron Hans terms					5.97%	
Net ellesin e discount rate					0 20%	
The satenes used in the signation include an essumed increase in July 2011 of						
6.08%. The new salary violease was assumed to take place in July 2012						
Average refinementage					63 yes	176
Atomany guing employment					SA 85	-00
IV-more: of from service (service annival rains)				Age	Rati)
				26	Fomsle 24%	Male 18%
				38	15%	19%
				50	7%	2%
				\$5	0%	0%
The makement in the non-content provision is reconcided as 1985.5.5.						
Post Remember measurate subder, Bulance at the beginning of year			14 253 000	10 841 000	14 213 000	10 841 00
Contributions to provision			9 303 440	300.029	5 322 442	101 €2
fi senditure interiod insrebre in sico color dun là authunhale			136 140 135 140	1135 6291 1 245 898	135 1401	(135 629 1 245 00
Fightforto current provisions Salance at the end of year		_	20,576,442	14,253,000	20,576,442	84,253,00
Proprior to the temperature of animals						
Balance at the beginning of year			2 646 191	0.035.030	2 646 633	(95 616
Contributions to provision Bispendium incuréd			,216 30a. (120 687)	40 6341	H 22 8871	-40 63-
Increase in provision also to occounting. I ranifer to current provisions.			759 164	147.542	198 697	142.64
Balance at the end of year			2,477,204	2.046.893	2,477,206	2,046,68
Provision for re habitation of landful sites						
Provision for remativitation of landfill sees						
Balance at the beginning of year Comparison in provision			\$ 043 327	5 100 600	9 040 327	P 100 60
Bizandinura incurradi			17 609 343	(56 673)	11 009 2294	155.673
Balance at the end of year		_	10,434.678	8,843,327	10.434.078	£.043.32
\$4,m4.0 M3g104.0k						
Por Seadon						
The municipality selling disasting and covering all ones appoint on the sens at 40 th and 60 a	diagraf that saling	- 7% CD017,	ora:			
Candill sees replacation is a provision that selection recommend and other body.				s replacation. The Akide and	Chiseann sess are man	ced and waveman
operational The row street are operated it though permits. Femaless of AT 10 million per tire can be integer.						
The row tires are specified it whose between Telefolium (1 in the ships of the life con be impo- pair note 3.7	seats are Cetari	m14, \54"	NOUNCENTS TRIBES	IND COSTABLE DECORAGE A	214 GC EU 1125/3343/AUG41	conniden promise
: PROPERTY RATES						
Actual Residencia			7 112 879	1 82 7 92	1 102 599	, 557.93
Actual Residence Commercial State			2 127 497	6 167 522 2 658 585	1 10 1 10 1	8 167 63 2 676 58
<u>Actual</u> Repoder 31 (2004년(13) 512년			0.407.400	6 197 522 2 6 8 8 8 8 1 2 3 6 2 2	0 407 407	8 167 61 2 878 53 53 7 62
Actual Residencia Residencia Sore Sore Actual Actual Dept Testing one representation			7 10 1 16 4 7 10 1 16 4 7 10 1 40 1	6 167 522 2 658 585	263 333 2 40 1 40 1	\$ 157.61 \$ 878.55 537.62 61.08
Actival Residencia Commencial Strip Apacitical Apacitical Other			2 4 2 7 4 9 7 2 4 2 7 9 7 4 9 4 2 4 2 7 5 7 8 4	6 167 523 2 653 526 533 523 55 622,071	2 507 407 2 70 7 593 203 993 9 324 725 19,049,618	\$ 167.63 2.646.58 537.63 61.68 16.632.81
Actual Residence Residence Commence Style Apparature Total Engogenery Italia Popper, safet - persales imposed and 504-114* (Raine) Total Total Total Total		=	2 627 407 2 797 862 266 333 2 225 786 19,849,818	6 167 523 2 653 526 533 523 55 622,071	2 507 407 2 70 7 593 203 993 9 324 725 19,049,618	\$ 167.63 2.646.58 537.63 61.68 16.632.81
Actual Residence Residence Commence Style Appendix Open Open Open Open Open Open Open Open			2 627 407 2 797 654 2 65 797 2 65 797 2 79 79 79 79 79 79 79 79 79 79 79 79 79	6 107 022 -617 626 -617 627 -63 627 -75 622,871 -75 622,871	1 0 1 9 9 0 2 2 3	\$ 157.63 2 816.52 537.62 2 610.63 15.632.87 15.632.87
Actival Residencia Residencia State State Applications Other Todalsproperny lates Properly states rezidencian tok-the relates Todalsproperny			2 507 407 2 707 564 2 65 303 2 20 708 19,049,618 19,049,618 2 015 506 744 2 015 2 00 745	5 107 022 - 659 345 - 659 345 - 65 025 - 75 032,07 -	1 0 1 8 95 0 2 3 4 3 2 3 2 5 4 3 2 3 2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	\$ 167.63 \$ 296.22 \$ 39.02 \$ 45.65 \$ 15.632.67 \$ 15.632.67 \$ 229.066.67 \$ 429.046.67 \$ 429.066.67 \$ 429.066.67
Actual Residence Residence Commences			2 527 497 2 757 546 2 757 546 2 225 786 19,049,618 19,049,618 19,049,618 1015 200 788 300 618 400 12 439 72 557 37 705 502	\$ 400 022 2 685 326 233 422 2 685 326 2 685 326 3 632,871 3 632,871 3 632,871 3 632,871 3 632,871 3 632,871 3 632,871	1 627 407 2 707 893 276 333 - 292 235 19,069,818 19,069,818 10,069,818 200 19 250 49,449 729 37 227 662	# 19793 # 39752 53052 5408 15.632.87 15.632.87 1023.05667 428.91465 136.57665 139.3452
Residences Commences Style Commences Com			2 507 407 2 707 564 2 65 303 2 20 708 19,049,618 19,049,618 2 015 506 744 2 015 2 00 745	6 (97-02) 1859-245 (23-02) (4-98-02) 19.632,871 18.632,871 19.43-035-371 19.43-19.55 19.	2 627 407 2 70 694 2 63 939 2 92 2 95 10,649,818 10,649,818 10,649,818 2 60,419 420 2 70,0419 420 2 70	1,001,007,001,001,001,001,001,001,001,00

	for the year ended	30 June 2012			
	% oto	2012 Group	2011	Nkonkobe Log & F 2012	2011
, a u.a. gos, on sensione outsings, are bedomined the color forms of the color and the		K.000	R*600	R'060	R'800
come into one or or 1 year, 2000 merens valvariors are orderated on a dearest, party to lane into account changes in no valvarior one orderated on a dearest,					
Rafes are 6-led tr. 5 month, for shinker basis, with the first table procuping 10 depression of 5 months for an extension as a friends of 141+ 664 and white 70 10 147+ 13 felved on southern first fels.					
17 SERVICE CHARGES					
3.595 37.6196.19 < 7.5 F187.56 (6880) = 87		(+ 316 839 699, 591	9.001.407 6.791.366	18 315 839 8 892 591	9 031 40 6 791 05
Yoth! Service Charges		25,309,430	16.022.783	25,309.430	16.022.78
18 RENTAL OF FACILITIES AND EQUIPMENT					
Reniar ≽rizak-es Total rentals		330,088	214.012 215,032	330,658	215,02
19 INTEREST EARNED - EXTERNAL WIVESTMENTS					
don. Total (visioù)		888.261	1.254.661	570 054 670,954	1.081.54
20 INTEREST EARNED - OUTSTANDING RECEIVABLES West on outstanding consumes abbons		1 522 998 27	5 13 1 80 1 54	1 672 997	5 121 80
Totalinleiosi		1,672,986.77	6,131,801.54	1,672,987	\$,135,803
21 Government crants and subsidies					
Equitable share		76 039 000 00	72 555 150 00	76 099 000	72 658 161
AliG Grant Omey Government Grants and Subseties Foial Geyvernment Grant and Subsitives		21 593 090 00 14 117 642 41 111,909,842	16 037 000 90 14 511 569 32 105,204,729	1 426 (63 (06.218.163	7 940 13
21.5 Equitable Stare					
in rerms at the Constitution this grant is used to subsisse the picurism of oase services to indigent community members. All legistered indigents receive a monthly					
Substry of RELEC stack is not sed from the grant					
21 GOVERNMENT GRANTS AND SUBSIDIES (Com.)					
21.1 MIG Gram					
Balance amport at beginning of year Curent year recepts Consequence new reportemps to revenue		21 487 650 (21 483 666)	16 337 000 115 037 000)	21 693 000 (21 693 000)	18 337 00
Conditions state to be mot (Refer note 17)					
21.2 MSTG Grant Batance was post at beginning of year					
Junii ni year regopota Zondatonis nict - 13 nistetated so re Lanue Condistante stillito be mos (Refer note 12)		790 000 (790 000)	150 009 1750 0001	790,000 (790,000)	750,000 (750,000
21.3 FMG Grant					
Balance unspent at beginning of year		1 450 002	1.200.000	L450,000	1,200,00
Cume Miles (recepts Conditions met i filantifered to revenue Conditions still to be met (Refer note 13)		13 450 0001	11 200 0001	[1,450,000]	11,700,000
instuded in conditions motiospanddure incurred is the following axpeases:					
Which are included to the statement of financial performance: Employee retaled costs - R 845 073 43					
General Eudences Frauleiring & Accordes and in R 184 44 5 48 Printing & Branches y - R 20 48 27 72					
21.4 LED Cannerty Grant					
Balance unspent of beginning of year		183.473		123,471	
ু unient year Mecephi ইটোবোনাটোর কাছা -গড়নায়োগুর বড় পাছন ক্ষমত ট্রেপ্টোটোজাছ হালা টি চাছ সালং ক্ষিপ্তিশ লগাল । বি		67 187 (227 a16) 23,242	498 428 1314 9571 183,471	67,197 (227,416) 23,242	498,42 (314,95) 163,47
21.5 LED Stolegy Grant					
Balance unspent at beginning of year		345 009	X45 00 0	\$45,000	345.00
Contert yells retailed: Conditions met - transferred to les étué Conditions stat to be mot [Refer note 12]		197 6081 347,592	245,000	(197,608) 147,392	345,00
21.6 Sport, Arts & Culture Grant					
Balance with pent at beginning of year Decrate? Assad and Winner on		568 514 1973 167	:	508,534 (973,167)	:
Current year recepts Tondoons met - transferred to reletinge		1 459 050	1 459 90 0 1960 455 1 508,534	[,469,000 (1,004,367)	1,459,00 1760,45 598.53
Condrions still to be met (Refer note 12)		(0)	508.534	(9)	300.52
tectude dan conditions malifest penditure accurred as the following expenses which are included to the statement of financial performance:					
Employee reases costs in 국 중앙 5 5 전 SenediExpenses Fraisery R 1월 72 7 7 7					
Faul-derig in City (4.2 File) Punting is Stationally - Pin 1987 CS Constitutionally - PCS 737 10					
21.7 EPVP (Expanded Public Works Programme)					
Balance unspent at beganning of year Current year race pro		3.297.640	:	3,297,000 (3,297,000)	:
Conditions will to be matificated and (2)		13 (8) 8(3)	<u> </u>	[15,:37,000)	

		Group		Alkenkobe Local	
	Note	2012	2011	2012	2011
		R'000	R'000	R*800	R'000
21.5 Other Government Grants and Subsidies					ĺ
Salance unspent at beginning of your		2 940 840	-5-31	1007001	20
Correct participates Constront met-manalerrea to revenue		17 309 649 Fe 376 4361	9.457.13L 12.670.660+	1 659 7V3 -8 426 7534	3 927 [9 7
Conditions still to be metifically note 12)		5,000,111	2.866.870	170,634	1,837,004
Conditions there be med in accordance with plantiferry is stoked by a space.					i
Changes in levels of government grains. Parkeging the above or turning in the Pointon of Research (2) (2) 11 to 2011 to 3 Septiment Changes on the page of government grain (2) and 3 the expected over the transporting Amonatoi (4) as					
22 OTHER INCOME, PUBLIC CONTRIBUTIONS AND BOHATIONS					ļ
22.1 Other income					
Omes-ncome		1 "65 421	1.059.245	1 50 7 305	1 970 256
CAT Adjustment Total Other Income		1.706.421	3.553.656 4.683.222	1.507.386	7 583 858 4,684,122
2) EMPLOYEE RELATED COSTS					l
Employee resting costs - Sataries and strages Employee resting costs - Contributions to UFF pensions and modical acts		31 535 343 5 425 583	29 6 19 377	30 045 122 5 298 173	09 109 478 6 207 104
Travel motor car accommodation, subsistance and other attriviances		2 591 138	7 726 161	2 591 138	2 225 161
Housing banelics and allowances Overime payments		1616026 161035	450 577 1 334 850	45 1 0 3 5 1 6 1 6 6 3 5	1 334 850
Peromance and other bonuses Other employeevelated costs		2 014 774	1 099 884	2 0 14 774 1 989 505	1 099 884
FRIA - Service Cost FRIA - Interest Cost		876 600 1 318 630	\$91000 1045000	376 000 I 319 900	371 000 1 245 000
PRICE - Actuality Cains Costes		4.050.580	(598-371)	4 262 582	-588 3713
LSA - Service Cost LSA - Matrest Cost		224 667 142 285	319 326 (#7 542	324 557 1 42 385	319 325 147 542
LSA - Actualist Gains Losses Waterland Freed Wages		£6 348 1 721 690	(272926) 2709061	16 345	1217 872)
Employee Related Costs		1 721 690 \$4,547,548	2 709 06 1 47,197,763	51,149,886	43.864.502
I have used no acconded to employees included in the settle for employees included in the setal for employee costs spocke are remandation of anywords executive managers as despited before					
Remineration of the Municipal Manager					
Annual Rentuneration Travel moles call accommodered, subsistence and other allbusinges		361 121 394 142	442 02 1 295 354	461121	443.031 295.354
Contributions to UIF. Modest and Pension Funds		9 035	1 497 739.882	9 584 864,349	1 497 739.882
Total		864,349	739.882	864,349	739.862
Remiseration of the Chrof Finance Officer					
Annyal Remynarakon Traver morar dari accommodarion, subadrivinos and provi asqui antes		284 250	369 185 245 123	384 250 330 729	369 185 248 123
DWH.		2446		2 585	
Contributions to UP. Medical and Fension Funds. Total		# 576 726.501	0 16.606	3 825 726,501	1 49.7 616,806
Remmeration of the LED Manager					
Annual Remunaration Traver materical accommensation, subsistence and other allocances		38450 382 245	269 186 246 123	394 250	359 185 246 123
Other		2,923		2.923	. 1
Communions to UP. Alebeat and Fension Funds. Retail		6 09 5 687,924	1 49.7 616,604	897,524	1 J97 616,808 :
Remunoration of the Chief Executive Offices					
Annyg Genungsych Fallomance- and their poeute s		719.234	603 758		:
Fig. 4 mode can accommodation but signification and off 41 allowances. Commounties to USP "Hearings and Pension Funds.					
I GOS		749,334	803.768		- :
2) EMPLOYEE RELATED COSTS (Com.)					
Remuneration of Individual Executive Managers			Tochnical Services Co	operate Services Co	
2012			R	R	п
Annual Remuneration Frauer metal call accommy serion is yesterance and other aboutances.			219 67 6	194 250	41 531
Chemicustons to U.S. Tread at 300 Section Runds			91553	7 0 2 3	1974
Country to the Lifet at the Akkhou whose		_	488.839	686,488	223.616
			Forthereal Services Co	orporate Services Co R	mmunity Services R
2011 Annual Semaneration			359 165	152 161	359 185
Travel reporter accommodistic in successional and other aboutables. Commodistry follow a register of the process of the proces			245 103	_46 (2) 1 497	241 t03 1 497
Commonant of the integral and ears on Pages		_	616,806	516,595	610,886
24 REMUNERATION OF COUNCILLORS					
Usu o		256 342	539 655	555)43	539 056
Speaker Englasse Committee Members:		512 599	294 274	513 30t	114076
Alaxylan Mu		487.608	452 4 20	482.628	442,430
1 larydo SP 12 gengo 625		199 78 1 201 16 1	210 387	36 F 761 469 F 75	219 987 462 954
Ngoshara Jik Singongo UU		48.4 8.4 4 506.437	219.387 46.395	484 614	213.787
Countries Countries cossenatures alara or busins		210 #44	\$1 372 322 074	286,844	41 374 922 079
Transfers abhances Total Councilors' Remunication		4 405 159 16 464 159	1024 (0)	6 496 498	7 421 494
		16 101 : 75	1 1-2 107	10.454.759	4.421.035
In-kind @g nefrs					
The Playor and Special workships. Each is organized kind on onlogication services as Support at the council to the Council.					
The Playor has use of the Gound to kneed control for this property. The Evecution Playor had Null rate pages.					
Remuneration of Directors		8 R	R		
2012		Board Stipend 5-8		m1 (6)	
F Names		15 220	10-411	26.635	
\$175 Francherera UTS Brosse		1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	:	12 845 1 865	
"#1",, A+" 4 6 Ligama		12 120	5 5 HC 11 CPC	14 426 14 292	
5 ot 5 to		12 615	2414	14 25 2	

			Group		Nkoskobe Local:	Municipality
	Note	2012		2011	2012	2011
		R'000		P'000	R'900	Aroop.
Toni		7	0.600	19.023	88.023	
		R	R		P	
		Board Stipens	5 8 T		Total	
2011			- (3)		- 163	
\$ +18×00 c 17 \$ 18 mil			4 840	-	1961	
SCIPE Medical			4.0		1 300	
F. TM(H)E			n (40)		7 400	
10.7 mm			5 200		+ 223	
-0.97					30,600	
Teat			0,00,0		30.000	
DEPRECIATION AND AMORTISATION EXPENSE						
Deplengean in assets		22.78		21 302 903		19 109
Amprication		0	3 414	+3 351	93 456	1.7
		22.61	9.20P	21,376,864	22,755.198	21,313,

Nkonkobe Local Municipality HOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

Note NAMES COSTS	2012 R'000	2015 R'008	2012 R'008	2011 R'000
26 FMANCE COSTS South sings	-622	256 846	ISA 204	254 825
Can take now of men - Fa. take: Total Finance Costa	7.60.367 8811.68	731813 938,659	.f5 657) 88,158	731,813 688,652
27 BULK PURCHASES				
t φε ^ω ις» _γ Τουμ (Bulk Penshases	17.090,008	18 15 34 1	17.060 438	16 163 361
i och trak sateranis	27,000,000	15.163.361	17.090.993	78,163.341
28 GRANTS AND SUBSIDIES PAID				426 912
This made Beams med the enter-ent-agency "LEC - this game Surped	F 151 141	2.881.691	965 603 6 191 152	2981691
Fire task seculary, transportunet Experiment report,	2013 013 	6,754,101	2 08 3 0 1 3 200 000 10,640,770	7,691,014
	2014,101	917-91-191	10,000,110	7,000,000
Reconces Economic Devisionment righting is and an uncorational grain to be a time daily postations of the entity. The mainticality stop asystem such that for the entity				
29 GENERAL EXPENSES INCLUSED A GENERAL SIE TO TIFLE A 9.				
Advacang	128 221	198 868	119 293	-24 705
Asmn general fees Auad fees	71.450 0.740.700	34 397 3 037 100	2 376 317	2 600 214
Bank Charges Bartor-4s	293 030 05 117	155944	270 680	167 P\$0 55 633
C®P € :pensss Ctrawng	518 863	412924	528.863	512 924
Clean-up campaigns	334 559	297 662	334 569	207 662
Contriences and delegations Consulting rees	2 8 2 7 6 2 9 2 6 3 9 1 4 3 7	316 763 I 023 182 ±	2 633 173	1 697 819
Community Facilitation Consumables	1 CS1 543 687	11 017 397 714	535 747	194 456
Engannen	276 765	275 129	261 798	759 698
Fuel and oil	7.42.7.578 767.519	1 034 557 386 778	1 359 579	999 857 878 929
Legal sidentes Legal sidentes	40.7 165 158 225	594 00 I 114 107	497 165 168 325	691 151 114 100
Licence less - computers		2 350		2,350
Nemberstup rees Pastage 5 counter	30 400 145 246	7 114 326 259	99 490	7 114 301 030
Priving and stationers Protestronal Nes	517 523	549 127	574 573	509 105
Rental of purisings				
Ren'al al office equipment Ren'al al computer equipment	1 277 260	1 455 755 72 300	1265.043	1.444.714 72.229
Omeriners 54041, 2051s	122.497	59 458 185 664	120 467	59 459 177 974
Sexerage reasons costs	1			
\$1.4s devempment levet Stacks and inclinit		*		
Social Responsibility Subscribility & publication	61 290	58 60 1 809 05 3	10 317	604 507
Taliphone cett	2 959 993	1 966 487	2841781	1 367 254
Transport Francisp	1 618 221	13.958	0 22 287	1 076 899
Frauer and supplier to Christian Control Con	202,974	183126	19 726	124 622
7 8A-875 P 20103	212 597	415 135	213 597	415 138
Villater and Sandafron Ward committee convines	7 009 408 0 46 1 950	2 167 408	1009-436	2 157 403
Partiands biones a personal. Personal for families	1 535 800 511 835	509 E56	511 005	
Examt	952 880	,	550 990	
Special Programmes LEC Projects	42.4 654 1 236 163		824 564 1 235 160	
Figures S Consurent, EPVP	4 153 815 3 171 839		1 171 630	:
O®ar	1 649 236 29,647,044	1 (54 ±84 28,201,076	1645 930	1 214 534 25,174,691
30 LOSS ON SALE OF ASSETS				
Bitpaffy claim and equipment Togal less on sale of assets	149,698	125.458 125.458	19 319 69,319	125 458 125 454
The rass on side of assets represent armagiliant for tast assets or the rule.				
21 CASH GENERATED BY OPERATIONS Supplies "defer" for the tops	40 700 asa	10 773 927	.0 :00 2:01	F12 053 574
Agrusteser for - Credecian an and Amain sarion	2 859 209	21 276 84 4	22 759 194	21 313 323
Cantinum to provide the control of t	1:9659	125.458	59 319	125 456
Orner non-cash rem	-140 885	9 466 706	رق	
Operating curol is defore working toolself or english	21,308,314	20,195.110	22.069.767	18,853,940
ስክ የተፈልቋፅ፥ ወቃር የታይኔት ላም ጣ ፥ ፀጥር ፣ ቀር። በባብ የተፈልቀ ርሃር የሚያልቀ ላም ባለው ያቀር የነገር የተ	-75 005 7 750 950	.15 472 .20 930 450	-25 G281 1713 950	.15 472 20 930 449
Increase recrease in americamacies	\$40.637	49.49.637	717.990	10.055.429
moreade (decrease) micondinanal grants and receirs moreade (decrease) micondinanal grants and receirs	0 199 510 4 005 580	-5 046 179 4 102 105	276 367	4 381 791
Net cath flows from operabag activities	36.817.078	(2,728,127)	33,986,987	1,990,791
32 CADK AND CASH EQUIVALE!/?s				
Cash and tash edulustery, included in the east flow stulement roll since the retraining				
	130			
Bank calantes and tale bank avergeen	315 74k -310 452	2 *1025	-310 4501	2003.043
Net cash and cash equivalents (not of back overdialts)	5,325,280	4,561,000	(310.452)	2,550,543
33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED				
3 t Unauthoria ed expenditure				
3 i Unautona ed expendiume Reconculator stura virius es a a coetra fuis				
Reconciator of the articise alexerations Seening palance	21 162 829	4124411	16 +62 910	4 104 001
Явтомогразит стиго имен звейнымография Овемину ованов "Энитому ованов "Энитому оверператирущей тура Настичену у от дого и положена	19 (94 32) 03 100 500	4 124 22 1	19 519 216	1 12 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2
Record abort of unalized expensions Genning became Zenumborker expensions content with	13/52321	4 154 51 1 12 174 69 9	12 515 216	12,540,75
Retrock pagnis viro viro viro sed e-dero hivo Genning palance Unauthorista e-proprieta zwietni vigor Retrovista (zw. programa)	19 (94 32) 03 100 500	4 104 014 14 114 698	19 519 216	12,540,75
Retrock pagnis viro viro viro sed e-dero hivo Genning palance Unauthorista e-proprieta zwietni vigor Retrovista (zw. programa)	19 (94 32) 03 100 500	4 104 001 14 176 699	19 519 216	12,540,75

Nkonkobe Local Municipality
notes to The Group annual Financial state ments
for the year ended 30 June 2012

Hate

Gree	ip	Naconal phe Loc :	il Munic ipality
2012	2011	2012	2011
R:008	R1860	R1000	R1000
19.594.041	21,102,928	19,619,310	18,964,980

PARTICIPATION AND PROPERTY.

Mkonkobo Local Municipasity HOTES TO THE OPOUP ANNUAL FINANCIAL STATEMENTS for the year endre 10 June 2012

					Niconicobe Local N	
		Note	2012 R'900	2011 R'608	2012 R'000	2611 R:800
Incident	Osciplinary steps/enminal proceedings					
"ne munice sky in	raned unaum chiscoles end fue as a lesuri shabs ging SRAP 17					
33 MP mark 1 841	(2.97° 629) on bisers has not knock meletale not ebageta akti. India never had littikusmuttina lukkifu vib sela defure. Bud aktifi sek (1.8° 11.214.93°) kas not eslegetea fok.					
3.2 Freduce andwas	teful éxpenditore					
Recordable 2012 0 101	tots and state's esterior					
Deening calance -			255 106	110 (1)	265 166	1094
Conditined or ANY	tetur e reenature pursent yelar en att by Council tetuk évelenditure a vilatniy conditisé niem		16 265 365 106 16,306	165 39 4 265,106	16 305 -265 1051 18,306	286,51
	tu expendrure mouried was as a result of a cachier who					
receipted money or	conels of jury promisery estack a tilbour variationing of ign obeyed of jury promisery estack and party farm have cluster, on extending the underline version as a second of factor and					
Onig! Financial Offi-	serio the Municipal Manager regarding musicities. The cashes					
23's of Submission rees not and an	of the Annual Financial Statements outcomes of the wystryation					
Anna IIV. suid Nie						
1.3 linegular expendit	we					
Asconowaton of the						
Opening balance			7 505 625	2 577 574	4 925 856	2 327 3
Condoned or with	en off by Council		4 677 30 V 47 506 644	5 (29 47)	1 868 350 (4.926 848)	2 549 4
Transfer to recerv Bregular 4-penJ4	sties for recover, — not constitute de awareg constituent		4,677,302	7,500,845	1,808,360	4,826,8
Inc/dent	Disciplinary steps/oriminal processings					
Suppher						
Propuositivernes				727 6 47 126 79 1		700 B
In Service Suppliers				126 F9 F	:	199 4
Tradelii st 94 (Pty) (Kiider Encineering	b7		189 473	:	119 473 70	
Tractor World			2/5 0 20		102 640 00	
Noncomo George Mayano Consulting			168 254		100 000 00	
Ruis partnership	# standStandar		170 000			
Ha Construction and	Plant Hule Design, Select Concreté products. Italiede investments		101-167			
	cerign, select concrete products it seem meetimens are Panasonic and Sinion The Disciple		W4 2.7		•	
SCAI process not ad	hered top. Expenditure was incurred without three writtenprice.					
cuatarions being of	samed from different suppliers and reasons for deviations were ported by the accounting officer		76.4.32.4	144260		
Expenditure payme	nt made verthout topporting documents		176-126	065 861		
Expenditure was fireceived	anced from the IDC grant willhout valid tay invoices having been			N 861		
funnadama ma	ode to suppliers who did not publish dectaration of interests			1 575 10 4		
TOTAL	nere to reference a strate and rate billionial differited after the and days.		4,177,301	5,129,473	3,809,350	2,549,4
Tenders ladvenise applicable to 90 f	a on 10.20 counts were spored and available on spores 0 counts. The awarding rook dust before 07.10.0011. The					
follow-why are contra	cts awarend and their causes					
In the column of	26/a - 569 4 T3 ng-1 (22 32)					
fellosing are contra I i Emigelius (92 ; Ph Ti numes Engineen 31 framsamo Clean Tendors - advantse	sura 589 4.73 ngui 199 324 ng Senikesi = 500 000 n ng Ng Uri counts in ère lacaréd kina aliances an lacarès					
In the contract of the contrac	Signa 269 273 ngul 273 324 ngul 273 324 ng an ngulid bands yère scared kila akaraés an scares nanah					
fellowing are contra to Employed \$4,00 To note Engineer of feartamp Clean Tencors and entite application of \$3,00 to Romans motors. The rollowing are Notes - shies	Signs 3-69 -73 Mpg Services -4 500 000 on 100 N.C. counts when iscored who avaiced on scores poems poems (Services Stores 1995 - 2015 April 1997 - 2016 Apri					
Feliasiump are contra In Tim geles (34, Ph Tim unes Engineer 31 framsamo Cean Tencors, ask entité application in disciplination Tim follouimp are 5 fram values 11 flag and Consum 11 Puil Marchaethe	sydous 59 0473 mpg Services 2-6 00000 mpg Services 2-6 000000 mpg Services 2-6 000000 mpg Services 2-6 00000000000000000000000000000000000					
Following are contra- ted Engineers (Engineers) (This unter Engineers) (Frametamo Chean Temporal and entitle application on the Americans (The Following are Nothers) (The Valley and Consum (The Valley) (The Americans) (The Valley) (The Americans)	is (ar. 580 at 3) imp Services of Codingo imp Services of Codingo imp of Child Country where a coded what all aroses on codings about a services (arose a codings) and a configure a codings of Codings and a codings of Codings in a configure and a codings of Codings and a codings of Codings in a codings of Co					
Fallowing was sorter. 31 Timpers 94, Pt 11 Timpers Engineer 31 Year Tamo Clean Temors as the end applicable on 43 Cts 11 Timpers matter. The Following was 11 Manual Clean and Constant Timpers allowed 11 Manual Clean and Constant Timpers allowed 11 Manual Clean American Constant Timpers and Constant Timpers and Constant Clean American Clean American Constant Con	sign (38) at 3 mp Services of COOPD mp Services of COOPD on PO NY COUNTY where is control while all enders on isothers independent on the coopding of the					
Fallowing was sorted. In Targeter 94, PO This Dec Engineer 31 framition of Remove Temporal adventile application of 30 to 18 Remove materia. The Following was following and 19 Pub Targeteria. The Tollowing with 18 Targeteria. The Tollowing with 18 Tollowing on the 1	sign (38) at 3 mp Services of COOPD mp Services of COOPD mp Services of COOPD mp Services of COOPD Decreased on Services of CoopD Decreased on Services of CoopD mp (1800) mp (1800					
fabourge aconting to Continue and Continue a	syder Jede 273 pp. 199,329 pp.					
Iphonomy are continued in Tarqueter 192, Po Timurber Engineer 31 Varieties Officer and the Command Chain Farence and verbal and section of 62 Ct 31 Reported for 62 Ct 32 Ct 32 April 202 Continued are 11 May 300 Consultation 11 Poly All Participation of 192 All Participation of 192 All Participation of 192 Ct 32	syder Jebu TS geys 199324 geys 199324 geys 199324 geys Miller State Stat					
Fallowing are control In Targeties 94, PP This use Engineer In Your Targeties In Your Targeties In Your Targeties In Your Targeties In Propose of 30 21 In Romming matters In Propose of 30 20 In Propose of 3	syder Jede 273 pp. 199,329 pp.					
rabbung se control in Transport 12-19, 21 to use of control in Transport 12-19, 21 to Control in Transport 12-19, 21 to Control in Transport 12-19, 21 to Use of	sydous feel and good to good t					
rabbung se control in Transport 12-19, 21 to use of control in Transport 12-19, 21 to Control in Transport 12-19, 21 to Control in Transport 12-19, 21 to Use of	sydous feel and good to good t					
Interpretation of the control of the	syder Jebu 13 gog Services - Export of the property of the pro					
Ipiblium) per control i l'acquiser i l'acqui	sign - 58-0-13 gry 1-20-13 gry 5-20-13 gry 5-20-13 gry 5-20-13 gry 5-20-13 gry 6-20-13 gry					
Fabourng was control of the Table 19 and 19	syder Jebu 13 gog Services - Export of the property of the pro					
Fabourng see control of the Table 19 Ta	Is to 189 of 13 ppg Services of concord ppg Services o		12543	53 0-27	12 9 5 5	
Fabouring see control of the Table 19 T	sign - 58-0 and pol 199, 199, 199 pol 199 p		100 4.5A -1(4.5B)	45 027 45 027 45 077	to to the	: - C : 5 0 : 5 0
Fabouring see certific 17 Fabouring see certific 18 Fabouring see cert	sign - 58-0 and pol 199, 199, 199 pol 199 p			45 977 18 977	113 F13. - NZE 100-	15 6
Interpretation of the control of the	Is less 150 and 130 and 150 an		-1(6.83)	53.027	100 100-100-1	1,50
(piloung) per portion	sign of \$0.00 and \$1.00 an		-1(6 8) y	1975270	100 100-100-1	.59 0
following we control I Flag sheet 34, 49, I Flag sheet 34, I Flag sh	systems of a TS project 199,329 pg Services of 500 PD0 pg Services o		-1(6.83)	.59 017	11 13 14 15 16 16 16 16 16 16 16 16 16 16 16 16 16	19 cT 2 d 1

Nkonkobo Local Municipality KOTES TO THE GROUP ANYULAL FRANKCIAL STATE MENTS for the year ended 30 June 2012

for the year ended	30 June 2012			1
Wold	\$012	2011	Nikonkobe Los 2012	2011
343 VAT	R'080	A'080	R'000	Rréos
The remotilies in our receivables and in the metaly as equies trush entitle 10				j
24.4 PAYE and MP Greeks as Sakras				.
Clarent year barron about total Ambura pade coursent year	19 203 212	1 COS 321	16 134 181 10 124 0871	4 999 710 4 999 7189
-mout land -ene , sus , 63tt Balane unpoid (inchided in payables)	-			· ·
-afic and of observations nationed and relative training				i
34.5 Pension and Medical Aid Oeductions				
Opening catance Company payon about one and Councy Company are	16 301 000 16 305 000	6 945 864	15 252 525	1 500 157
immunh pand - curry n' ye sa -majuri Balar - n'ye sa ya sa k Balance unpand (lantade in payabis s	-15 305 203	-7 P86 B64	(15.030.006)	id 953 157
papare ympare (inclindra in payantar) ~4.7ecsion and f.1e and .4.4 addictions name defined distributing , 4.8.4.4.2			- 1	
3.6 Councijor's arrear consumer accounts				
The following Courcillot has allead accounts sufficienting the mode from 90 50,5 as		Felst	Outstanding less than 90 days	Outstanding more than 90 days
31 - as at \$8 Juno 2012		R	R	R.
78 v 80 up de 15		1.149	1.148	
Total Cognetilor Arrear Consumer Accounts		1,148	6,148	
AR > ganed. TVC 413.446 HF 1040ee		164 130 130	120 130 161	
INT (deeps III Paper Total Councillor Arrest Consumer Accounts		1 714	130 1714 2,136 f	
I ota i Gonto non Arrest Violes anter Meco Arios	_		2.1301	
35 CAPITAL COMMITMENTS				
1.5.1 Commitments in respect of a prist as pendinure Approved and a onganited to	56,386,324	8,828,302	55,386,324	8,828,302
Property (Start and emperiture)	45 745 580	3 429 214	42,370,793	1 400 014
ericeriage Cathor	8 613 536	796 936	8,012,175	308 688
- Approv ad but not yet contracted for Inn มาวาบาย		<u> </u>		
് നേത്രചര് _ത ലഭവന്യൂർ			:	:
Qua-	55.386.324	8,623,202	35,366,524	8.878,382
Total Finis expensiture 118 be Anances in com	55,394,324	0.628.402	22,160,324	6.625.362
-€ rynnart, san¢		4		
- (Cs. etiment Grants - Omnins souther	\$5,969,924	# 505 200	65 384 324	9 216 701
Sugmed Council States	55,386,324	8.828,392	55,384,324	8.820,302
35.2 Operating feaces				
Arma vaponing, paramelenin, has outranding committeen under potating readed vinch (glindue, or rollous).				
Operating feases - lesson				
Market one year to the set and observable or trustee	\$J4 59" 166 027	791 035 716 956	83449T 1725T	779-988 747-964
After the graph. Total	1,831,624	1,580,054	1,004,624	1,527,054
Specifying E. (1916): 1, marris atting italign sing. Geologia (1916): 1916, Egineers (1916): 1916 (1916): 1916 (1916): 1916, 1917, 1				
16 RETIREMENT GENEFIT INFORMATION				
36.1 Defined contribution plan. The municipality contribution to title supplied of Guideline School, see Person Fund 1 and 2 Person Fund. Close John Report Fund. Size John Plander Fund Sizes Person Fund and Sizes Sizes Sizes The other Pend. The membershood in a respect of Sizes Conference John Conference Sizes S	t te			
Forms persolvening 30 sure (301) melmumby controlled in character following full also bin mumby 10 sure verobytes board sook, when is choosed about a controlled and a 7.1% in conclusion melled with the verobytes interest this performance of support operations as the decision fine is more explosively been upon about the postment of the account of the decision fine is more explosively been upon about the growner of the account of the account full account of the controlled account of the postment of the account of the decision of the controlled account of the controlled account of the account of the account of the decision of the controlled account of the controlled account of the account of the account of the decision of the account of the	E,			
262 Defined benefit plan. Definition of the province as such as senemely, in 51% our une appearance is as select a tent to the province as such as officers about the START SET Future is assumed to appear to the province and the province as as officers and the start of the such that appear when the start of the start of the such as a popular or the start of the start of the such as a popular or the start of the start of the such as a popular or the start of the start of the such as a popular or the start of the such as a start of the start of the start of the such as a start of the s	17-7 5 d 956			

Who nkobe Local Municipality HOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2012

Note	2012	2011 2012	20
Deflays employed of the may oppose selecting to the Post Residence Health and one opening	R'008	R'000 R'000	R10
center. Caraca and habened have been distracted as bain of Provisions. Trate 16- in preparameteration of CRAR of and octabliations the most resemble that including land on the state.	March 21		
change and a serial as of assess in the indire			
17 CONTINGENT CABILITY	Extension outflow	Estimated outslow including legal	
	including legal costs	conts	
17.1 Claw for damage;	210 300	220 990	
Publicantriation is filterwise frunklears, «Publicantriation is suing the frunklepain, for payment in ferms of a breach of comparior me construction of areas.			
in for Beautin. 8 E Babars (stors one filteropairs) - The plaining is paining to gamages couced to	191.050	196 000	
his vehicle after a school of which one backging to the municipality. Space (DULIA) is the probable (Junicipality). The plantal has instrument of	59 500	19 000	
Brote 6 3 mgs. agamst file municipāšty för arbnýty ourying another person on a grave the bought by the Bisinstif	78 300	70 000	
37.2 Fines and pensities	32 030 000	30 900 609	
The municipality is operating 3 randell since white the required permits from the			
Department of Ensystemental Atlant. The Opportuniting stronger a penalty of up to R 1 0 000 000 per land/ill the operated without the required permits or for non-			
complance orn commit conditions. There is uncertainly if the complex will be imposed. The municipality did not comply, sith Electricity Regulation Act, by			
communicating may tainf increase with NERSA. A cossible rine of RIDGO 000 cours on imposed as a result of non compliance.			
	Estimated adlow nett	Estimated inflow	
38 CONTINGENT ASSET	of Jegal costs	new of legal costs	
Toconopie Rhunocpany vis Trasplanii i The municipality is buing for amagints	255 000	035 000	
outstanding on the auctioning of municipal properly. Fillowicipa Clumicipatry via Randall & Ancinar - the municipatry via subtry the	.00.000	100 000	
defendant for unlawful evision. Thenkope fluor pality is the state of	10 990	10 900	
a compact resignary emerged into REomobile Clunicipatry via O SYmams - the municipatry is claiming layourable costs.	200 000	239 000	
Itism the defendant incurred during the hearing. The matter is comprete and the costs are site in the matter is	15 660	25 000	
30 RELATED PARTISS			
13+ znilobi Esznomis Gevélabmont Agens,		nanchi aucciay to he develorment agency to : municipally 250 cettes he ently is bust tees c	
410019s	"Lone Kalmingo	Frane-decision	
Elempors of Hey management Close family member of key managemor/	Sons idensied. Hore idensied.	Mone identified	
Past employment benefit plan for employees of municipally and or owner related darkes.	11000-0001400	'rone deminad	
Other cetain disary, retainonships Compensarion to counsilions sind other hey management	Trong registration Retail to note 25 & 24	franci dentified fraterns note 13 5 14	
, , , , , , , , , , , , , , , , , , , ,			
Related party balances			
stoletale to proude a second			
Related party transactions			
Related party transactions Sursing, Eard 1970 200-006 Econumic Connection in Sursing (Connection)	984,603	936,912 966,683	
	\$02,936	936,613 966,683	
Sussay, 620 of 183 bokober Espirance Childreness agency. 40 EVENTS AFTER THE REPORTING OATE 120 weeks an associated allow 30 June 2012, which necessisses a swittinger or	984,803	934,913 954,693	
Subject and the tractor Eterumic Casa boomery Agency do EVENTS AFTER THE REPORTING DATE	503,936	936,912 966,683	
Subject case of the bed-self Etonumic Callaboratory agency 40 EVENTS AFTER THE REPORTING DATE 12 avents and economic allow 30 June 2012, function processings, admitting it by	955,603	936,912 966,683	
Subject case of the bed-self Etonumic Callaboratory agency 40 EVENTS AFTER THE REPORTING DATE 12 avents and economic allow 30 June 2012, function processings, admitting it by	954,403	966,693	
Subjey 639 19 for 200-306 Essoums Chasbomer Lighting 40 EVENTS AFTER THE REPORTING DATE 113 words rouse occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advising a sylvent so occurred above 30 June 2011, such necessarys, advisorys, ad	956,403	936,913 966,693	
Subjey 239 17 follow bit Etonum: Ca-abomier agency 40 EVENTS AFTER THE REPORTING DATE 113 streets have occurred about 30 June 2017, shorth necessary a sawringer so decolors over on the about 30 streets of the necessary as a sawringer so decolors over on the about 30 streets of the necessary as a sawringer so decolors over on the about 30 streets of the necessary as a sawringer so decolors over on the about 30 streets of the necessary as a sawringer so decolors over on the about 30 streets of the necessary as a sawringer so decolors over on the samranger of the necessary of th	914,503	936,913 966,693	
Subjey 239 17 (1) 200-201 Ettorum: Callaborneri Jegano; 40 EVENTS AFTER THE REPORTING DATE 113 where note occurred about 30 June 2017, hinch necessity of abouting a six decrease and in the about 30 June 2017, hinch necessity of abouting a six decrease and in the about 30 June 2017, hinch necessity of abouting a six decrease and in the about 30 June 2017, and six decrease and in the about 30 June 2017. 45 KEV SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS The 10% long doubt in Jule 3 symbol 2017, and spread habituation uncertainty.	984,403	926,913 966,883	
Subjuy aud of file balbe Essamer Cas stomer agency 40 EVENTS AFTER THE REPORTING DATE 112 where has occurred almost 30 June 2012 have necrosizings admirmed by decotors and in the almost enancial stomer's 43 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS The Istic long almost in line is symmetral as president without succertainty. Placemental Long Server hards Placemental Long Server hards Placemental Long Server hards 10 Placemental Long Server hards 10 Placemental Long Server hards 11 Placemental Long Server hards 12 Placemental Long Server hards 13 Placemental Long Server hards 15 Placemental Long Server hards 16 Placemental Long Server hards 17 Placemental Long Server hards 18 Placementa	984,403	936,913 966,883	
Subjuy about 11 to 20-306 Economic Childreneth agring 40 EVENTS AFTER THE REPORTING DATE 112 visuals have occurred about 30 June 2017, shown recreasing about might by discretize and in the annuly incancing appearance 41 KEY SOURCES OF ESTIMATION UNDERTAINETY AND JUDGEMENTS The Little long always in case a symmetral as yeared visitination uncertainty. Personation for pulp Reliable of 10 June 2017 Personation for pulp Reliable of 10 J	984,403	736,803	
Subjection of the control of the con	956,403	966,693	
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Nkonkobo Local Municipality NOTES TO THE GROUP ANNUAL FINANCIAL STATE MENTS for the year ended 18 June 2012

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Nkonkobe Local Municipality NOTES FO THE GROUP ANNUAL PHANCIAL STATEMENTS (or the year peded 30 June 2017

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47 RISK MANAGEMENT

42 3 Interest rate risk

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à positive number pelos indicates an indicase in quibbs. A négativé number belos indicates a decrease in surplui.

As the error does not have any instruments that effect net assets directly the disclosure only indicates the effect of the change in interest rates on surclus

42.5 Other price risk
Examples include changes in commodify prices
43 RESTATEMENT OF COMPARATIVE INFORMATION

Ouring the year the following prior period error corrections and reclassifications took place:

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Statement of Financial Performance		
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43 RESTATEMENT OF COMPARATIVE INFORMATION (Cont.)		
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Nkoukobo Local Municipality NOTES TO THE OROUP ANNUAL FINANCIAL STATE MENTS for the year ended 10 June 2012

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Nkoukode Local Municipality hotes to the group annual financial statements for the year ended 30 June 2012

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44 CHANGE IN ACCOUNTING POLICY

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Nkonkoba Local štunicipality NOTES TO THE GROUP ANNUAL FINANCIAL STATE NEHTS for the year ended 30 June 2017

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mtangible assets		121 4121	0.4	
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AN CHAINGE BY ACCOUNTING POLICY (Conc.) They changes in accounting policy individual stort the adjectation of FALP Creative 2 and municipations for valued glaces for approximation of the GRAP region municipations is about change of the GRAP region region of the GRAP region region region of the GRAP region r	ing tramesions si oone our no			
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GROUP ANNUAL FINACIAL STATEMENT APPENDIX A SCHEDULE OF EXTERNAL LOANS Nkonkobe Local Municipality

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	Loan	Redeemable	Balance at 30	Received during the	Redeemed / written off during the	Balance at 30
EXTERNAL LOANS	number	Date	June 2011	period	period	June 2012
LONG-TERM LOANS			<u>c</u>	œ	ď	œ
DBSA: @ 16% (Loan Accrual)	61,001,114	30.09.1998	5,483.99	- 200 636 20	5,483.99	, 0
DBSA: @ 11% (Loan accrual)	61,003,978	30.09.2014	1,376,659.95	321,200.98	1,703,491,57	-5,630.64
Total long-term loans Transferred to Sundry Debtors	I		3,520,171	611,736	3,556,468	(5,631) 5,631
TOTAL EXTERNAL LOANS	<u> </u>		3,520,171	611,736	3,556,468	•

Nkonkobe Local Municipality GROUP ANNUAL FINACIAL STATEMENT

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2012

2 2012	Actual Expenditure Surplus / (Deficit)	æ	19,383,936 (461,044)	65,273,361 10,396,944	7,674,999 (4,499,976)	23,417,367 (2,193,920)	58,547,810 (14,166,085)		174,297,473 (10,924,081)
2012	Actual Exp	2							
2012	Actual Income	œ	18,922,893	75,670,305	3,175,023	21,223,447	44,381,725		163,373,393
2011	s / (Deficit)	R	(9,796,605) Executive & Council	59,165,260 Finance & Admin	(3,977,485) Planning & Development	(1,652,737) Community & Social Services	(20,733,016) Engineering	. Other	23,005,416 Total
2011	Actual Expenditure Surplus / (Deficit)	Z.	16,576,624	52,644,972	3,977,485	20,835,672	32,907,409)	126.942.162
2011	Actual Income Actua	М	6,780,018	111,810,232		19,182,934	12,174,393	1	149,947,578





The Municipal Manager Nkonkobe Municipality PO Box 36 Fort Beaufort 5720

14 February 2013

Reference: 21300REG11/12

Dear Sir

Report of the Auditor-General on the financial statements and other legal and regulatory requirements of Nkonkobe Municipality for the year ended 30 June 2012

- The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act of South Africa read in conjunction with section 188 of the Constitution of the Republic of South Africa section 121(3) of the Municipal Finance Management Act of South Africa (MFMA).
- 2. In terms of section 121(3) (municipality) of the MFMA you are required to include the audit report in the municipality's annual report to be tabled.
- Until the annual report is tabled as required by section 127(2) of the MFMA the audit report
 is not a public document and should therefore be treated as confidential.
- Prior to printing or copying the annual report which will include the audit report you are required to do the following:
 - Submit the final printer's proof of the annual report to the relevant senior manager of the
 Auditor-General of South Africa for verification of the audit-related references in the audit
 report and for confirmation that the financial statements and other information are those
 documents that have been read and audited. Special care should be taken with the page
 references in your report, since an incorrect reference could have audit implications.
 - The signature Auditor-General in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General of South Africa's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.
- 5. Please notify the undersigned Business Executive well in advance of the date on which the annual report containing this audit report will be tabled.

6. Your cooperation to ensure that all these requirements are mat would be much appreciated.

Kingly acknowledge raceipt of this lotter.

Yours sincerely

Singá-Ngqwala

Business Executive: Eastern Cape

Enquiries: Sazi Ndwandwa Telephone: (043) 709 7200 Fax: (086) 663 8615

Email: sndwandwa@agsa.co.za

REPORT OF THE AUDITOR-GENERAL TO THE PROVINCIAL LEGISLATURE AND THE COUNCIL ON NKONKOBE LOCAL MUNICIPALITY

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

1. I have audited the consolidated and separate financial statements of the Nkonkobe Local Municipality and its subsidiary set out on pages ... to ..., which comprise the consolidated and separate statement of financial position as at 30 June 2012, the consolidated and separate statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements.

2. The accounting officer is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act. 2003 (Act No. 56 of 2003) (MFMA), the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

- 3. My responsibility is to express an opinion on these consolidated and separate financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2001) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.
- 4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.
- I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion

Basis for qualified opinion

Service Charges and Trade Receivables

6 The municipality did not use the correct approved tariffs in charging consumer debtors for electricity consumed. The meter readings used in calculating the value of the electricity consumed were also not in agreement with the actual meter readings. Consequently, service charges in the statement of financial performance are overstated.

- by an estimated of R1,4 million and trade and other receivables are also overstated by the same amount.
- 7. Management was not able to provide substantiating documentation to explain a difference of R623-326 between the prepaid electricity revenue per general ledger and confirmation received from services providers that sell pre-paid electricity on behalf of the municipality. Consequently, I was unable to determine whether any adjustments to Service Charges were necessary.
- 8. Electricity consumed during the last month of the financial year (June 2012) was only recognised as revenue during July 2012, which falls in the following financial year. The GRAP reporting framework requires revenue to be recognised when it is earned. This misstatement was also made in the previous year. Consequently, Service charges in the statement of financial performance are understated by R519 322 (2011: overstated by R481 877) and trade and other receivables are understated by an estimated R519 322 (2011: overstated by R481 877). In addition the deficit for the period is overstated by R519 322 and accumulated surplus is understated by the same amount.

Receivables from Exchange transactions

9. Management was not able to provide substantiating documentation for debtors amounting to R1,3 million (2011; R6, 7 million) included in other receivables of R12,5 million as disclosed in note 2 of the financial statements. The accounting records did not allow for alternative procedures. Consequently I was unable to confirm the rights, valuation and existence of other receivables as disclose in note 2 to the financial statements.

Interest Earned - outstanding receivables

10. Interest charged on outstanding debtors is not correctly calculated as monthly interest is not charged on outstanding debts for the full month. Consequently, interest from outstanding debtors is understated by R1,2 million. Trade and other receivables are also understated by the same amount.

Vat Receivables

11. I was unable to obtain sufficient appropriate audit evidence from the municipality for VAT receivables of R1,6 million (2011:R1,7 million), included in the financial statements. The accounting records did not allow for alternative procedures. Consequently I was unable to determine whether any adjustments to VAT receivables were necessary.

Non-Current provisions

- 12. Costs incurred in the closure of a landfill site was incorrectly recorded against the provision and not capitalised against the property, plant and equipment. Consequently, non-current provisions are understated by R1,2 million, expenditure understated by R1 million and property, plant and equipment is also understated by R214 536.
- 13. The municipality was not able to provide details regarding the assumptions and input data used or the calculations made in estimating the value of the obligation to rehabilitate landfill sites. I was, therefore, unable to obtain sufficient appropriate audit evidence to confirm the valuation of the provision for landfill sites, stated at R10,4 million (2011; R8 million) in the financial statements. I was unable to confirm the value of this balance by alternative means. Consequently, I was unable to determine whether any adjustment relating to the provision for landfill sites in the consolidated and separate financial statements was necessary.

Prior period - provision for long-service award

14. Included in the provision for long-service awards is an amount of R1,3 million for which I could not obtain supporting documentation, as was reported in the previous year's audit report. I was, therefore, unable to determine if there are any adjustments necessary to the provision for long-service awards.

Qualified opinion

15. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Nkonkobe Local Municipality and its subsidiary as at 30 June 2012 and their financial performance and cash flows for the year then ended, in accordance with South African Generally Recognised Accounting Practice and the requirements of the MFMA and DoRA.

Emphasis of matters

Restatement of corresponding figures

16. As disclosed in notes 43 and 44 to the consolidated and separate financial statements, corresponding figures for 30 June 2011 have been restated as a result of errors discovered during 2012 in the financial statements of Nkonkobe Municipality at, and for the year ended, 30 June 2011.

Transitional provisions

17. As disclosed in accounting policy 2.6 Transitional provisions, the municipality has recognised previously unrecognised assets and valued these assets retrospectively. This change in accounting policy has been noted and included in note 44; Change in accounting policy.

Additional matters

18. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

19. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly. I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

PAA REQUIREMENTS

20. In accordance with the PAA and the General Notice issued in terms thereof. I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

- 21. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
- 22. The reported performance against predetermined objectives was avaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to

whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information.

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

23. The material findings are as follows:

Usefulness of information

Presentation

24. Section 46 of the Municipal Systems Act requires the disclosure of measures taken to improve performance in the annual performance report where planned targets were not achieved. Adequate and reliable corroborating evidence could not be provided for all measures taken to improve performance as disclosed in the annual performance report. The municipal records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the validity, accuracy and completeness of the measures taken to improve performance.

Consistency

25. The Municipal Systems Act, section 41(c) requires that the integrated development plan should form the basis for the annual report, therefore requiring the consistency of objectives, indicators and targets between planning and reporting documents. A total of 97% of the reported targets are not consistent with targets as per the approved integrated development plan. This is due to the lack of internal control measures to ensure consistency.

Measurability

- 26. The National Treasury Framework for managing programme performance information (FMPPI) requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 67% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact that management was not aware of the requirements of the FMPPI.
- 27. The National Treasury Framework for managing programme performance information (FMPPI) requires that it must be possible to validate the processes and systems that produce the indicator. A total of 67% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection of actual performance information.
- 28. The National Treasury Framework for managing programme performance information (FMPPI) requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 61% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.
- 29. The National Treasury Framework for managing programme performance information (FMPPI) requires that performance targets be measurable. The required performance could not be measured for a total of 44% of the targets. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the

necessary training to enable application of the principles.

30. The National Treasury Framework for managing programme performance information (FMPPI) requires that the time period or deadline for delivery be specified. A total of 61% of the targets were not time bound in specifying a time period or deadline for delivery. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Reliability of information

31. The National Treasury Framework for managing programme performance information (FMPPI) requires that processes and systems which produce the indicator should be verifiable, accurate and complete. I was unable to obtain sufficient, appropriate audit evidence to satisfy myself as to the validity accuracy and completeness of the actual performance reported in the annual performance report for 76% of the reported performance for Strategic planning and Local Economic Development and for 63% of the reported performance for the Engineering Department. This was due to a lack of standard operating procedures and processes for the recording of actual achievements by senior management.

in addition to the above material findings. I draw attention to the following matter:

Achievement of planned targets

32. Of the total number of planned targets, only 92 (60%) were achieved during the year under review. A total of 40% of the planned targets were not achieved during the year under review. This was as a result of the institution not considering relevant systems and evidential requirements during the annual strategic planning process.

Municipal Entity

33. The following was reported in the audit report of the Nkonkobe Economic Development Agency (NEDA) regarding predetermined objectives:

Usefulness of information

- 34. Presentation Measures taken to improve performance were not disclosed.
- 35. Consistency Reported objectives, indicators and targets were not consistent with planned objectives, indicators and targets
- 36. Measurability Performance indicators were not well defined and the indicators were not verifiable

Reliability of information

37. Validity, accuracy and completeness - Reported indicators and targets were not supported by sufficient appropriate evidence.

Compliance with laws and regulations

38. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Strategic and Performance management

39. By inspecting the Municipal Managers performance agreement, emptoyment contract and delegation framework it was noted that there is no evidence of the executive committee assigning responsibility to the municipal manager for performance management as required by Section 39(b) of the Municipal Systems Act

- 40. The responsibilities of the accounting officer as set out in the MFMA were not included in the Municipal Managers performance agreement as required by Section 57 (4A) of the Municipal Systems Act
- 41. The municipality did not comply to section 7 of the Electricity Regulation Act 4 of 2006 by operating electricity transmission or distribution, without a licence issued by the Regulator in accordance with this Act

Budgets

42. Expenditure was incurred that was not budgeted for in contravention of section 15 of the Municipal Finance Management Act.

Annual financial statements

- 43. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the Municipal Finance Management Act.
- 44. Material misstatements of non-current assets, current assets, current liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion.

Performance Audit Committee

45. The performance audit committee did not submit, at least twice during the financial year, an audit report on the review of the performance management system to the council, as required by the Municipal Planning and Performance Management Regulation 14(4)(a)(iii) (GNR 796 of 24 August 2001).

Internal Audit

- 46. The internal audit did function as required by Section 45(1)(a) of the MSA and municipal planning and performance management regulations 14(1)(a) (GRN 796 of 04 August 2001) in that the municipality did not develop and mechanisms systems and processes for auditing the results of performance measurement as part of its internal audit processes.
- 47. The internal audit did not function as required by the Section 165(2) b of the MFMA in that it did not report to the audit committee on matters relating to compliance with the Municipal Finance Management Act the division of Revenue Act and other applicable legislation.

Expenditure

- 48. An adequate management, accounting and information system was not in place which recognised expenditure when it was incurred, as required by section 65(2) (b) of the Municipal Finance Management Act.
- 49. The accounting officer did not take effective steps to prevent unauthorised expenditure and irregular expenditure, as required by section 62(1) (d) of the Municipal Finance Management Act.
- Construction projects were not always registered with the Construction Industry
 Development Board (CIDB), as required by section 22 of the CIDB Act and CIDB
 regulation 18.

Liability Management

- A management, accounting and information system which adequately accounts for liabilities was not in place, as required by section 63(2) (a) of the Municipal Finance Management Act.
- 52. An effective system of internal control for liabilities (including a liability register) was not in place, as required by section 63(2)(c) of the Municipal Finance Management Act

Revenue Management

53. Sufficient audit evidence could not be obtained that revenue had been reconciled on a weekly basis, as required by 64(2)(h) of the Municipal Finance Management Act.

Oversight of the Nkonkobe Economic development Agency

- 54. Non compliance was reported in the audit report for the municipal entity for the following areas:
 - The performance objectives of the municipal entity were not approved by the entity's board of directors.
 - Mid-year budget and performance assessments were not reported to the parent municipality.
 - The Annual financial statements submitted for audit were materially misstated.
 - The audit committee and the internal audit function, which are shared between Nkonkobe municipality and its municipal entity. Nkonkobe Economic Development Agency (NEDA), did not discharge its duties as required by sections 165 and 166 of the MFMA in respect of NEDA during the current year under review.
 - NEDA failed to adhere to Supply Chain management regulation 17(a),17(c), 19(a) and 36(1) while procuring good and services resulting in irregular expenditure.
 - Contrary to the requirements of section 93J (1) of the Municipal Systems Act, the
 board of directors of the municipal entity has not appointed a chief executive officer of
 the municipal entity. This position has been vacant since September 2009 and there
 has been an acting CEO since September 2009.
 - The accounting officer did not take all reasonable steps to ensure that the municipal entity had and maintained a management, accounting and information system which accounts for the assets of the entity as required by section 96(2)(a) of the MFMA.

Internal control

55. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

56. Oversight responsibilities regarding the monitoring of internal controls over financial reporting, compliance with applicable laws and regulations were not adequately performed. This resulted in material misstatement in the annual financial statements that were submitted for audit, non compliance with applicable laws and regulations and also resulted in the information presented in the report on predetermined objectives not being valid, accurate and complete

Financial and performance management

57. The municipality has not implemented adequate review mechanisms to ensure the report on predetermined objectives and the annual financial statements are reviewed for accuracy and completeness prior to submission for audit

Governance

58. The municipality has an audit committee and internal audit unit in place. The recommendations of the audit committee and internal audit unit are not adequately addressed by management and will therefore have a negative impact in addressing control deficiencies that exist in the municipality's control environment

OTHER REPORTS

Investigations

59. In the prior year, a forensic investigation was undertaken which was finalised and presented to management and the council.



East Lendon

14 February 2013





For the Financial Tear Ended 20 June 2012

Report of the Andit Committee

We are pleased to present our report for the period January to June 2012.

Role of Audit Committee

The Committee operates in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No. 58 of 2008 and has endeavoured to comply with its responsibilities arising from those requirements.

The function of the Audit Committee (hereinafter referred to as the Committee) primarily, is to assist the Nkonkobe Municipality (hereinafter referred to as the Council) in discharging its duties relating to the:

- o safeguarding of assets,
- · Implementation of adequate control systems and processes and
- · The preparation of financial reports and statements.

The Committee has performed its duties according to its terms of reference in the form of an Audit Committee Charter which stipulates amongst other issues the primary purpose of the Committee, which is:

- To monitor the integrity of the Council's financial statements and announcements relating to its financial performance, reviewing significan reporting financial reporting judgements.
- To review the effectiveness of the Council's internal controls and risk management systems.
- To monitor the effectiveness of the internal audit function and review its material findings.

To oversee the relationship with the inversal and external auditors, including agreeing the latter's audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

The Committee has no executive function and its primary objective is to review and challenge rather than assume responsibility for any matters within its remit.

Composition of the Audit Committee and Attendance of Meetings

The Committee was constituted during March 2010 and held its first meeting in 26 April 2010. Currently the Audit Committee is composed of four (4) members and doubles-up as a Performance Committee with Mr Ronnie Ortlieb, one of the Audit Committee Members, as its chairperson.

Sittings of Audit Committee

The Committee should meet at least four times a year as per its approved terms of reference. However, Audit Committee could only sit for three meetings during the year under review as outlined hereunder:

Name of Member	No. of Ordinary Meetings Attended
LM Qupe (chairperson)	4
R. Ortlieb	4
RJ Hill	3
T. Labase	4

Attendance of Audit Committee Meetings

The committee meetings were attended by:

- The internal audit manager,
- The Municipal Manager
- Senior managers and
- Officials from the Department Local Government & Traditional Affairs

Co-Sourcing of the Internal Audit Function

To beef up the capacity of Internal Audit Unit a service provider- Sizwe Ntsaluba Gobodo was appointed for co-soured functioning which commenced in March

- (c) Paragraph 2.2.5: The amounts of R725,657.94 M and R512,827.736M give an incorrect impression eg the former figure could be viewed as seven hundred and twenty five thousand six hundred and fifty seven million rand.
- 12. Page 26: Seymour waste site is shown as not operational (operational). This cannot be correct as it cannot be both.
- 13. Page 27 paragraph 2.3.3: Should columns 4 to 7 not cross cast to 15 260?
- 14. Page 28 table 2.4.3. Should the 3rd column not add up to 100 %? The last column indicating %s is not understood.
- 15. Page 30. Is table 2.7 correct?
- 16. Page 34: The income from service charges, fines and other revenue is substantially lower than that budgeted. What is the reason for this. Was the budgeted figure of R11m for interest earned realistic?
- 17. Table 4.3: The cents in last column of middle row should be scrapped.
- 18. Page 35: Is the last row of figures correct?
- 19. Page 35 para 4.4 second sentence seems incomplete.
- 20. Page 35 table 4.6 is not understood.
- 21. Page 36 par 4.7.1 states that 2 meetings were held yet the table indicates otherwise. There is also no mention of the A-Gs presence/ absence.
- 22. Page 41 para 5.6 indicates a lack of will to implement the anti corruption policy. No plan of action to address this shortcoming is given.
- 23. Page 42 para 5.8.1: Change the word wee to were in third line.
- 24. Page 45 Information (a).If the total population is 127 215 and there are 29 620 under the age of 14 it cannot be correct that the total number of voters is 110 620.
- (b) Column 5 totals up to 108 189 persons which does not tie up elsewhere.
- (c) Column 6 is incomplete.
- 25. Page 46 last 2 columns have no headings. Section 3 Debtors analysis figures seem to be misstated.
- 26. Page 48: Latter part of page appears to be incomplete as does most of page 49.
- 27. Page 50 section 2 is incomplete.

- The case of SCM deviations
- · Enhancement of capacity within the SCM unit
- Vetting of employees and suppliers
- Contract management
- Review of policies
- Reconciliation of billing and valuation roll
- Review of cash up processes and updating of procedure manual.

Internal Audit Unit

The Internal Audit Unit did not operate at full strength for greater part of the year under review; however, two employees have since been employed from March 2012

It is strongly recommended that unit be strategically capacitated to enhance its effectiveness and in supporting the Municipal Manager and Senior Managers.

Findings are detailed in the minutes of Audit Committee Meetings

Summary of recommendations.

- Internal audit recommendations be implemented
- Action plans be developed to address internal audit findings
- Management comment be documented and executive management to comment on the findings prior tabling to the audit committee
- Council to note the Audit Committee Report.

May 2

Leo M. Qupe

The Audit Committee Chairperson

NKONKOBE MUNICIPALITY: REPORT OF THE AUDIT COMMITTEE

Annual report and comments on Auditor General's report

Role of Audit Committee

The Committee operates in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No. 58 of 2008 and has endeavoured to comply with its responsibilities arising from those requirements.

The function of the Audit Committee (hereinafter referred to as the Committee) primarily, is to assist the Nkonkobe Municipality (hereinafter referred to as the Council) in discharging its duties relating to the:

- safeguarding of assets,
- Implementation of adequate control systems and processes and
- The preparation of financial reports and statements.

The Committee has performed its duties according to its terms of reference in the form of an Audit Committee Charter which stipulates amongst other issues the primary purpose of the Committee, which is:

- To monitor the integrity of the Council's financial statements and announcements relating to its financial performance, reviewing significant reporting financial reporting judgements.
- To review the effectiveness of the Council's internal controls and risk management systems.
- To monitor the effectiveness of the internal audit function and review its material findings.

To oversee the relationship with the internal and external auditors, including agreeing the latter's audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

Firstly, the annual report was not tabled within 7 months of the close of the financial year.

Part 1

- 1. Vees Programme Priorities Statement: An paragraph and bullet should read BRAS that BRASE
- 2. Overview of Municipality: Correct the words co-curred, colo-nialists and Rob-ben.
- 3. Page 8 population growth rate 20001, 2002 seems incorrect.
- 4. Page 15: How many jobs were created? To say that "managed to create job opportunities.." is too general a statement, it should be specific.
- 5. Page 20 :(a) Trends on total personnel expenditure table does not have headings and is thus not understood.
- 6. Page 20: (b) Senior officials wages and benefits should read salaries and benefits. It should also state that," the schedule reflects monthly emoluments".
- 7. Page 21 paragraph 1.3.7: Last sentence should read performance audit committee not audit performance committee. 5th line should read dedicated not dedicate.

Also, the performance audit committee could not have played a significant role of the municipality in discharging its mandate if the PMS was/ is not in place and does not meet to discuss PMS issues. So this statement is not correct.

8. Paragraph 1.3.8, point 1: First column-should this not perhaps read "143 vacancles against 373 posts".

Second column: out of 124 positions many positions were filled. This statement is incomplete. Should it not be more specific? Should it not read "of the 124 positions advertised...". Should the actual number positions filled also not get stated?

- 9. Page 23 para 2.1.3 item 2: The individual figures cross cast to 21 158 whereas column 1 shows 20 158. One of these is incorrect, it shows inconsistencies in the report
- 10. Page 24: First line should perhaps read pole mounted transformers.

Second line: No estimated costs reflected for high mast lights at Hillside and New Town. .

- if. Page 25: (a) It is stated that all householders have access to gravel or surfaced roads yet the table below shows that 40% do not have access.
- (b) Table 2.2.4 is not understood eg third column reflects 1424.63, 189.82 and 40 550. What are these figures representing? Also the last column is not understood.

4014. 440 pást til filk formmattinen are beguireilko kemeleg and briglement a elille manerer glan to capacitate om Internal América Muit.

Status of Sicili transfer

- Planning and presentation of sudit sugagements
- Report writing
- Communication

Status of Internal audit plan

The internal audit has executed a substantial amount of their audit plan engagements for 2011/2012. An internal audit has presented seven reports in this financial year. Detailed hereunder:

Reports tabled	Reports completed still to be presented	Reports outstanding
SCM supplier rotation	HR selection and recruitment	Fleet Management
Traffic income management	NEDA budget process	IT follow up
HR leave management	PMS quarter three	SCM follow up
Performance Information		Revenue follow up
Revenue Management		
Asset and Loss control		
Supply Chain Management		

Effectiveners of Internal Control

The internal audit reports noted counting findings. Westmesses around internal controls and emanating from the Auditor-General's 1010/2011 Report are being addressed. The following are worth highlighting:

- is. As ges fit as such as one excelly that expects.
- 48. Fage 85: information appears to be rapidly apply as of grants/ substites received shows 8 form.
- 30. Page 54. Imbunstion seems incomect ag number of households and ocat of services.

Part 2

- 31. Regarding the predetermined objectives, there are substantial shortcomings revealed.
- 32. Para 46 of A-G report: Did or did not Internal Audit function as required, it appears that it did NOT if one reads the whole paragraph.
 - 38. Para 46 and 47 of A-G report does not give a favourable impression of internal Audit which matter should be urgently addressed.
 - 34. Para 54, 4th bullet: This aspect is again unfavourably reported on and reflects badly on the audit committee.
 - 35. In view of the numerous negative findings ventilated in the A-G report it is clearly evident that internal control and effective leadership is severely lacking.
 - 36. Why was the audit committee not made aware of the forensic audit that was undertaken during 2010/2011? Surely this should have passed our hands.
 - 37. The message from the NEDA CEO (annual report) is not signed.
- 38. Should the Performance Agreements not get signed by the employees as well?
- 39. Page 18 of the Ferformance Management Policy Framework document seems incomplete.
- 40. On pages 60 64, the Performance Plan of the Strategic Planning and LED Manager is set out. There are many areas of under-achievement of performance goals and a standard answer appears to be that there was no budget available. The budget must be considered before KPIs are put in Performance Plans to this is not a suitable reason for under-performance.
 - 41. On pages 64 \pm 67, the Engineering hisnager's Performance Fight is set out and Herasgain the same reasons are given for under-performance.

- 42. The same applies to the Corporate Services Manager (pages 67 70 of the draft annual report).
- 43. This also applies to the CFO's Performance Plan on pages 70 74.

A-G Audit Report 2011/2012

This does not make good reading especially as many of the issues raised are a repetition from the previous years(s). Given the fact that we (IA and AC) have been operational for a considerable time, the fact that we do not meet regularly as required and the numerous issues raised by the A-G, some repetitive, raises the question:

- 1. Has Internal Audit and the Audit Committees added value to the municipal affairs of Nkonkobe Municipality and are they professional in their attitude?
- 2. Does internal audit have the support of management seeing that the issues raised are recurring?
- 3. Are action plans monitored on a quarterly basis BY THE Accounting Officer?
- 4. Does internal audit have a plan of tracking implementation of recommendation through follow up audits?
- 5. Is the functionality of the Internal Audit and Audit Committee assessed regularly and reported to council.

We need to look honestly at this. I feel that we will be found wanting. Remedial actions should be put in place to ensure that the municipality does not have recurring findings.

Leo M. Oupe

The Audit Committee Chairperson